



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

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

Stock Code: 3378

2021
ANNUAL REPORT



* For identification purpose only

The background of the entire page is a light blue gradient. Overlaid on this are several large, flowing, wavy shapes in various shades of blue, ranging from a very light sky blue to a medium cerulean. These shapes sweep across the page from left to right, creating a sense of movement and fluidity. They are positioned behind the text, framing it subtly.

2021 ANNUAL REPORT

Xiamen International Port Co., Ltd

Contents

Corporate Information	2
Corporate Profile	3
Financial Highlights	4
Chairman's Statement	6
Management Discussion and Analysis	13
Corporate Governance Report	39
Biographies of Directors, Supervisors and Senior Management	69
Report of the Directors	83
Report of the Supervisory Committee	99
Independent Auditor's Report	102
Consolidated Balance Sheet	109
Consolidated Income Statement	111
Consolidated Statement of Comprehensive Income	112
Consolidated Statement of Changes in Equity	113
Consolidated Statement of Cash Flows	116
Notes to the Consolidated Financial Statements	118



Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

CHEN Zhiping
FU Chengjing¹
HUANG Zirong
BAI Xueqing

INDEPENDENT NON-EXECUTIVE DIRECTORS

LIN Pengjiu²
JIN Tao³
JI Wenyuan
LI Maoliang⁴

SUPERVISORS

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

COMPANY SECRETARY

CAI Changzhen

AUTHORIZED REPRESENTATIVES

CHEN Zhaohui
CAI Changzhen

REGISTERED ADDRESS

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITORS

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

PRC auditor:
PricewaterhouseCoopers Zhong Tian LLP

LEGAL ADVISERS

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

as to PRC law:
King & Wood Mallesons

PRINCIPAL BANKERS

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

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

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

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

3378

LISTING DATE

19 December 2005

Notes:

1. Mr. FU Chengjing, a non-executive Director, has been newly appointed as a member of the Remuneration Committee since 5 February 2021.
2. Mr. LIN Pengjiu, an independent non-executive Director, has been newly appointed as a member of the Audit Committee since 5 February 2021.
3. Mr. JIN Tao, an independent non-executive Director, has been newly appointed as the Chairman and a member of the Remuneration Committee since 5 February 2021.
4. Mr. LIU Feng resigned from the positions of an independent non-executive Director, a member of the Remuneration Committee, the Chairman and a member of the Audit Committee on 16 February 2022; Mr. LI Maoliang has been newly appointed as an independent non-executive Director, a member of the Remuneration Committee, the Chairman and a member of the Audit Committee since 15 March 2022.

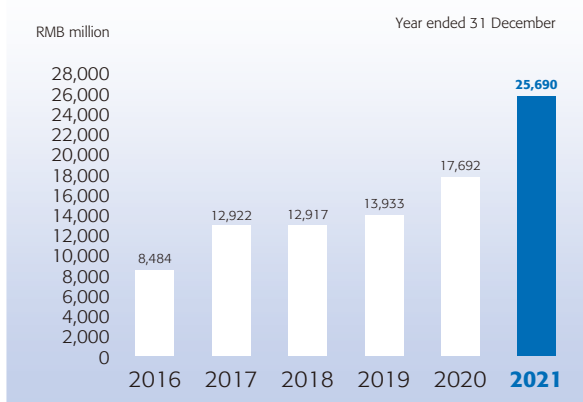
Corporate Profile

Xiamen International Port Co., Ltd (“Xiamen Port” or the “Company”) and its subsidiaries (collectively referred to as the “Group”) is the largest port terminal operator in Xiamen, the People’s Republic of China (the “PRC” or “China”). It is also the only company providing full-scale port comprehensive logistics services in Xiamen. The Group is principally engaged in container loading and unloading and storage for international and domestic trade, bulk/general cargo loading and unloading and storage and port comprehensive logistics services, including port-related logistics, tugboat services, shipping agency, tallying and trading of merchandise in Xiamen. The Group currently operates seven container terminals, namely Haitian Container Terminal (“Haitian Terminal”), Xiamen International Container Terminal (“XICT”), Hairun Terminal, Xiamen Haicang International Container Terminal (“XHICT”), Songyu Terminal, Haitong Terminal and Xinhaida Terminal, as well as the ITG Terminal, Shihushan Terminal, Haiyi Terminal, Haiyu Terminal, Hailong Terminal, Huajin Terminal located at Quanzhou port and Chaozhou Xiaohongshan Terminal located in the new port area of Sanbaimen, Chaozhou City, Guangdong Province, which are operating bulk/general cargo business in respect of both international and domestic trade. The Group currently operates a total of 39 berths, the aforesaid terminal berths are capable of accommodating the largest container vessels in the world. Shipping routes can reach domestic major ports, as well as major ports including Europe, the United States (the “US”), the Mediterranean, Australia, Southeast Asia and Japan. In addition, the Group has leased Haicang berth No. 8 in the Haicang port area of Xiamen port for operation and leased berths No. 6 to No. 8 in the Liuwudian southern port area of Xiamen port for operation, and also leased berth No. 8 in the Qingzhou Operating Area of Mawei port area, Fuzhou City for operation, so as to meet the needs of its business development.

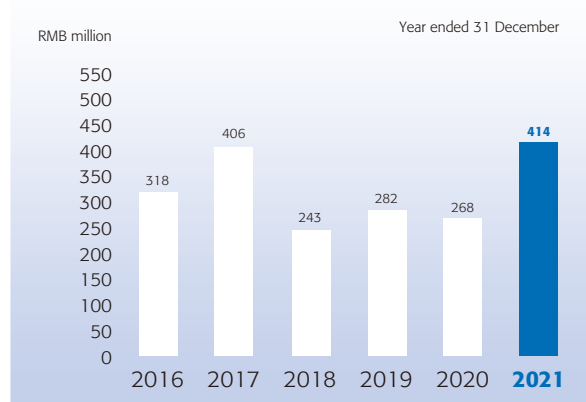
Financial Highlights

	Year ended 31 December					2021 RMB'000
	2016	2017	2018	2019	2020	
	RMB'000 (Restated)	RMB'000 (Restated)	RMB'000 (Restated)	RMB'000 (Restated)	RMB'000 (Restated)	
Revenues	8,483,998	12,922,319	12,916,756	13,933,106	17,691,738	25,690,112
Gross profit	1,128,947	1,201,562	1,224,822	1,271,148	1,211,157	1,375,536
Operating profit	1,052,178	1,239,105	1,119,330	1,138,531	1,041,014	1,201,228
Profit before income tax expense	1,018,485	1,062,421	807,252	904,556	798,541	983,821
Profit for the year	802,063	811,451	551,987	672,397	588,002	769,110
Profit attributable to owners of the Company	317,646	406,315	243,321	281,847	267,685	413,960
Earnings per share for profit attributable to owners of the Company during the year						
— Basic and diluted						
(in RMB cents)	11.65	14.91	8.93	10.34	9.82	15.18

Revenues



Profit attributable to owners of the Company

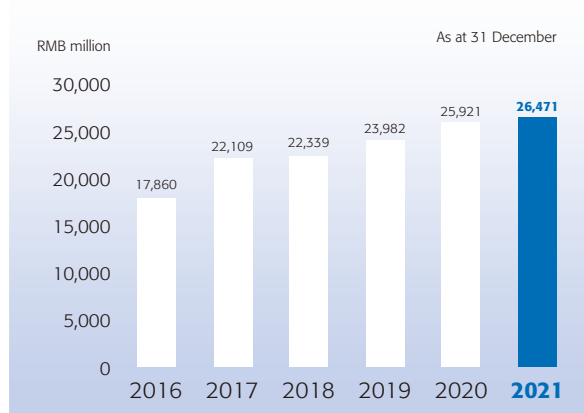


Financial Highlights

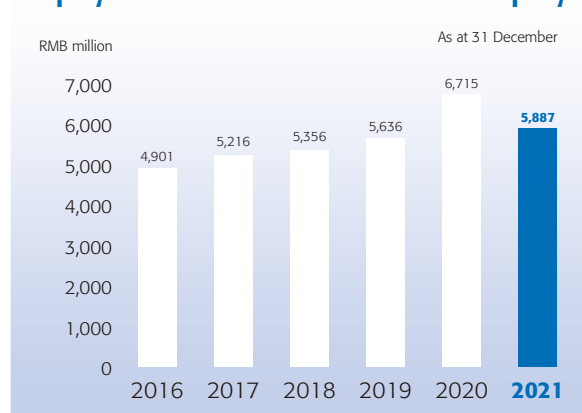
	Year ended 31 December					2021 RMB'000
	2016	2017	2018	2019	2020	
	RMB'000 (Restated)	RMB'000 (Restated)	RMB'000 (Restated)	RMB'000 (Restated)	RMB'000 (Restated)	
Total assets	17,860,023	22,108,669	22,338,597	23,981,580	25,921,045	26,470,537
Equity attributable to owners of the Company	4,901,226	5,215,718	5,356,106	5,635,818	6,715,018	5,886,623
Total liabilities	7,552,712	10,277,988	10,385,142	11,619,026	12,451,611	15,807,792
Cash and cash equivalents	1,146,124	683,213	694,249	719,738	719,738	2,971,304

	Year ended 31 December					2021 RMB'000
	2016	2017	2018	2019	2020	
	RMB'000 (Restated)	RMB'000 (Restated)	RMB'000 (Restated)	RMB'000 (Restated)	RMB'000 (Restated)	
Current ratio (times)	0.76	0.55	0.71	0.83	0.67	0.69
Gearing ratio (%)	(20.78)	(35.28)	(36.48)	(34.55)	(36.56)	(45.20)
Inventory turnover days	21	21	26	33	30	25
Accounts receivable turnover days	47	32	30	27	24	17

Total Asset



Equity attributable to owners of the Company



Chairman's Statement

I hereby present the annual report of the Group for the year ended 31 December 2021 (the "Year") to our shareholders.

In 2021, the overall trend of the COVID-19 epidemic (the "Epidemic") was positive despite its recurrence, and the global economy continued to recover accordingly. The Chinese government scientifically coordinated the Epidemic prevention and control, as well as economic and social development, strengthened the cross-cyclical macro-policy adjustments, and increased the support for the real economy. The internal driving force of the economy and the adjustment ability of market entities to adapt to external changes has gradually enhanced, and smooth supply and demand cycle of domestic and foreign trade is created. However, the trend of the Epidemic and uncertainties in domestic and foreign economic environment still influence the development of port industry. Facing such complicated and changing market environment, the Group focused on "Integration, Innovation and Efficiency", closely adhered to the construction of an international shipping center and the transformation and upgrade of ports, implemented the new development concept to strengthen corporate governance, promote fine management, continue to deepen reform, enhance resource integration, and vigorously develop the port business by taking advantage of the overall synergy, and steadily promote the sound development of the Group.

For the Year, the revenue of Xiamen Port was approximately RMB25,690,112,000, representing an increase of approximately 45.2% as compared with the previous year (the comparative figures in 2020 have been restated); the profit after tax was approximately RMB769,110,000, representing an increase of approximately 30.8% as compared with the previous year (the comparative figures in 2020 have been restated); and the profit attributable to owners of the Company was approximately RMB413,960,000, representing an increase of approximately 54.6% as compared with the previous year (the comparative figures in 2020 have been restated). Basic and diluted earnings per share attributable to owners of the Company were approximately RMB15.18 cents, representing an increase of approximately 54.6% as compared with the previous year (the comparative figures in 2020 have been restated).

The board (the "Board") of directors (the "Directors") of the Company recommended the payment of a final dividend of RMB2.1 cents per share (tax inclusive), thereby resulting in a total final dividend of RMB57,250,200 (tax inclusive).

In 2021, the Group took advantage of its overall strengths, actively responded to the impact of the Epidemic and changes in the domestic and foreign shipping markets, actively promoted the integration of container terminal resources, and effectively promoted the high-quality development of Xiamen port by strengthening headquarters marketing and overall marketing efforts, expanding the two-way hinterland by sea and land, solidifying strategic cooperation between ports and shipping, and comprehensively enhancing the business environment.

Chairman's Statement

- The Group coordinated the Epidemic prevention and control and the development of principal businesses, which mainly included: (1) normalizing the Epidemic prevention and control and safe production. The Company implemented the requirements of “Forestalling and Stopping Inbound and Intra-city Transmissions, and Domestic Resurgence of Cases, and Implementing Prevention Measures Both on Persons and Goods”, strengthened the “Ship-Shore” interface management, and strengthened the Epidemic prevention and control in key links; taking forward the “Three-Year Campaign for Safety Production” by strictly implementing the safety production responsibility system to ensure regular production at ports; (2) promoting the coordinated development of principal port businesses. The Group strengthened the headquarters marketing and overall marketing efforts by implementing the policy of “One Enterprise with One Strategy and Accurate Support” to consolidate the strategic port-shipping cooperation, accelerate key businesses developed by shipping companies, and promote the construction of “Regional Home Port” in Xiamen. Meanwhile, the Group expanded incremental businesses by implementing flexible pricing strategy to enhance the service guarantee system for container transshipment, and consolidate the container transshipment routes of key shipping companies in Xiamen port, which effectively facilitated the convergence of goods from various resources and a sustainable growth in businesses such as international container transshipment and domestic feeder line transshipment.
- The Group implemented the hinterland expansion strategy, which mainly included: (1) accelerating the construction of land-based ports and other cargo collection points, and innovating logistics channels. The Group set up business outlets in Tianjin, Xinjiang, Qiqihar, Quanzhou, Ji'an, etc. to deeply explore hinterland resources and guide cargo sources to gather at Xiamen port; implementing such businesses as “Replacement of Bulk Shipments with Container Shipments” and “Replacement of Automobile Transport with Water-Railway Joint Transport”, which opened up a number of sea-rail routes and enriched the hinterland logistics channels of Xiamen port. (2) actively playing the function of feeder line terminals. Haiying Terminal proactively excavated sources of goods in the northeast of Fujian Province by expanding the businesses such as refrigerated container distribution and “Changing the Direction of Flow”, and achieved a total container throughput of approximately 288,000 Twenty-foot Equivalent Units (“TEUs”) throughout the year, and the domestic feeder lines in Fuzhou and Xiamen increased significantly. Shishi City Huajin Terminal Storage and Transportation Co., Ltd. paid close attention to the dynamics of the bulk cargo market and carried out timely businesses such as mechanism sand and coal and achieved good results, with a significant increase of approximately 220.7% in bulk cargo throughput; Chaozhou feeder line terminal actively cultivated container business, by promoting business with key shipping companies, and attracting shipping companies to open new shipping routes for domestic trade, and switching to large transit ships, which resulted in rapid growth in container throughput.

Chairman's Statement

- The Group enhanced services and business environment of ports, which mainly included: (1) developing high-level business environment in ports. The Group actively promoted port trade facilitation, and coordinated member companies to implement a number of measures to enhance efficiency, reduce fees and promote facilitation, helping Xiamen port to be awarded the highest star level in the “2021 Business Environment Assessment for China’s Top 10 Shipping Container Ports” (2021中國十大海運集裝箱口岸營商環境評測). China Ocean Shipping Agency Xiamen Co., Ltd. (“Ocean Shipping Agency”) of the Group successfully piloted and issued the first note of “One Way Bill System” (「一單制」) for multimodal transport business in Fujian Province, realizing the two-way breakthrough of “One Way Bill System” for multimodal transport in the import and export logistics links and sea and land channels. (2) forging service brands. Xiamen Container Terminal Group Co., Ltd. (“Xiamen Terminal Group” or “XCTG”) overcame the impact of factors such as the Epidemic and global sail schedule disorder, carried out multiple measures to tackle with the pressure of large-scale concentrated arrival of ships, which maintained high-level terminal services, and was awarded the title of China’s 5A-level logistics enterprise. Companies including Haitian Branch of Xiamen Terminal Group (“Haitian Terminal”) and Xiamen Hairun Container Terminal Co., Ltd. (“Hairun Terminal”) kept enhancing their comprehensive service capability, shortened the non-operating time of ships in port, which received many letters of appreciation from relevant shipping companies. (3) enhancing the service capabilities of terminals. The Group strove to enhance the operation capability for dangerous goods, and commenced the construction of special depots for refrigerated dangerous goods at Haitian Terminal, Xiamen Songyu Container Terminal Co., Ltd. (“Songyu Terminal”), and Xiamen International Container Terminals Limited (“XICT”), where customer demand for refrigerated dangerous goods storage and export was guaranteed; Haitong Terminal and Xinhaida Terminal have obtained the attached certificate for port dangerous goods operation and are qualified for dangerous goods container handling operation; Xiamen Port Shipping Co., Ltd. (“Port Shipping”) has newly purchased and built six new tugboats, two of which have been put into use in Gulei port area, to coordinate the market demand for tugboats in Fujian Province and to guarantee the expansion of new business.
- The Group coordinated to take forward the reform and transformation and upgrades of the enterprise, which mainly included: (1) the thorough implementation of the state-owned enterprise reform known as “Double-hundred Action” (「雙百行動」) and “Three-Year Action Plan for Reform of State-owned Enterprises” (「國企三年改革行動方案」). Under the theme of focusing on “Five Breakthroughs and One Reinforcement” (「五突破一加強」), the Group advanced the reform and achieved certain successes in improving the corporate governance structure, implementing the tenure system and contractual management for managers, promoting the integrated operation of Haicang Container Port, building a financial sharing center, and promote the integration of bulk cargo terminals and logistics resources. (2) accelerating the upgrade of port electricity business. Xiamen Area of China (Fujian) Pilot Free Trade Zone Port Power Supply & Tech. Co., Ltd. (“Port Power Supply & Tech.”), a subsidiary of the

Chairman's Statement

Group, actively expanded electricity sales and its value-added business, achieved new breakthroughs both in external electricity sales and the construction project of 110KV transformer station for cruise home port. (3) achieving the innovative development of free trade format. The Group successfully obtained the 9610, 9710 and 9810 export cross-border e-commerce business operation qualifications in Xiangyu Comprehensive Bonded Zone, and promoted the implementation of relevant business policies; the declared "ECCO Global Distribution Center Service Innovation Case in Comprehensive Bonded Zone" was successfully selected as the "Shortlisted Case of Deep Integration and Innovative Development of Logistics Industry and Manufacturing Industry" by the National Development and Reform Commission. During the period under review, the containers and the bulk/general cargo handling capacity of the Group in Xiamen were approximately 9.15 million TEUs and 27.625 million tonnes, respectively, among which, the container throughput accounted for approximately 76.0% and 52.4% of the total throughput in Xiamen City and Fujian Province, respectively, making it possible for the continuous leadership of the Group in the port industry markets in both Xiamen City and Fujian Province.

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

- During the Year, the Company has promptly appointed a member of the Audit Committee and the Chairman of the Remuneration Committee in accordance with the requirements of corporate governance compliance to fill the vacancy of professional committee members as a result of the resignation of an independent non-executive Director; strengthened the monitoring on substantial transactions and connected transactions, and made appropriate information disclosures on the acquisitions of 40% equity interests in XCTG by the Company from New World (Xiamen) Port Investments Limited ("NWXP"), Xiamen Xiangyu Logistics Group Co., Ltd. ("Xiangyu Logistics") and Xiamen ITG Group Co., Ltd. ("Xiamen ITG") and Pointer Investment (Hong Kong) Limited ("Pointer Investment"), the acquisitions of 100% equity interests in Xiamen Port Haitong Terminal Co., Ltd. ("Haitong Terminal Company") by XCTG from Xiamen Port Holding Group Co., Ltd. ("Xiamen Port Holding" or "XPH"), the A share's non-public offering by Xiamen Port Development Co., Ltd. ("Xiamen Port Development" or "XPD"), annual caps for continuing connected transaction for the next three years, etc., to promote the compliance of corporate operation.
- The Group continued to take forward the construction of its internal control system to enhance its risk-resistance capability. Firstly, the Group has improved its internal control system and amended or newly formulated its management systems relating to safety production rewards and punishment, responsibility system for safety production, business and official hospitality, financing assurance

Chairman's Statement

management, debt financing instruments of non-financial enterprises. Secondly, the Group has strengthened its risk management by focusing on the monitoring of market operations, debt investments, entrusted construction management, the Epidemic prevention and control and litigations on relevant risks, reinforced the clearance of account receivable items, and optimized the risk management system. Thirdly, the Group has strengthened audit supervision, implemented the principle that the main responsible person must be audited when leaving office, and according to personnel changes, conducted audit on the resignation of senior management of companies including Xiamen Port Group Shihushan Terminal Co., Ltd. ("Shihushan Terminal"), Xiamen Hailong Terminal Co., Ltd. ("Hailong Terminal"), Fuzhou Haiying Port Co., Ltd. ("Fuzhou Haiying"); conducted special audits on business operation of companies including Xiamen Port Haicang Container Inspection Service Co., Ltd. ("Inspection Company") and Xiamen Haicang Xinhaida Container Terminal Co., Ltd. ("Xinhaida Terminal") and Xiamen Port Transportation Co., Ltd. ("Port Transportation"), etc., as well as the special audits on the procurement management of Haitian Terminal, so as to promote the sound corporate development by auditing.

In addition, the Group has actively enhanced its level of capital operation and promoted refined management. By way of reasonable operation, the Group has successfully acquired a total of 40% equity interests of Xiamen Terminal Group and 100% equity interests of Haitong Terminal Company from NWXP and other domestic and foreign shareholders, further enhancing the strategic dominance over the operation and development of the principal container business, which provided a solid foundation for the integrated operation of container port resources in Xiamen Haicang port area; Capitalizing on the platform advantage and the sharing functions of the capital management center, the Group has flexibly use the forms of super short-term notes, medium-term notes, corporate bonds and bank loans during the Year, and raised approximately RMB11.06 billion in total. By coordinating the use of funds, strengthening its internal financing intermediation, the Group has enhanced its corporate debt structure and enhanced its capital utilization efficiency; the Group continually followed up and flexibly took advantage of the financial and tax policies and implemented national phased social security cost preferential policies during the period of the prevention and control of the Epidemic. XCTG, Shihushan Terminal and other relevant enterprise of the Group have benefited from various preferential governmental policies and financial support, such as the exemption of corporate income tax for technology-advanced service enterprise, incentives for promoting the development of shipping and logistics industry and incentives for high-quality foreign trade terminals in Fujian Province; the Group stringently controlled costs and expenses, efficiently strengthened its cost reduction and benefit increasing as well as income increasing and expenditure reduction.

During the Year, the Group has also proactively advanced the construction of green and smart ports, promoted the green and innovative development, drove the intelligent transformation of the container terminal and smart ports construction, and accelerated the integrated development of port, industry and city. Firstly, the construction of smart ports was promoted. With the upgraded Xiamen container smart

Chairman's Statement

logistics platform ("Smart Logistics Platform"), the proportion of paperless online operations of delivery notes in all ports has remained stable over 98.0%; the full intelligent transformation of Hairun Terminal has been promoted, and the project has been listed in the Ministry of Transport of the PRC. The Action Plan for New Infrastructure Construction in the Transportation Field (2021–2025) (《交通運輸領域新型基礎設施建設行動方案(2021–2025)》) to be promoted as a key project of smart ports and has been put into trial operation. Secondly, the concept of green development was implemented. Following Haitian Terminal, the Group's Hairun Terminal was awarded "Four-star China Green Port", further demonstrating the Group's standard of building a first-class green port; The Group has achieved a number of breakthroughs to varying degrees in technical transformation projects for energy conservation, including "Use of On-shore Power Supply for Vessels", "Equipment with Full Automation" and "Photovoltaic Power Generation", with energy savings equivalent to 1,238 tonnes of standard coal for the Year, while the ratio of clean energy against total energy consumption was approximately 42.6%; the Group has also fulfilled its corporate social responsibility and made contributions to the ecological civilization of the ports and "Civilized City" for Xiamen by strengthening environmental protection, beautifying Xiamen port, proactively launching sewage treatment, dust prevention and control projects, as well as garbage classification works.

In 2022, the world economy is expected to continue its recovery and the Regional Comprehensive Economic Partnership ("RCEP") will enter into force to promote the continued development of China's foreign trade. Nevertheless, the combined effects of the spread of new variant of COVID-19 worldwide, supply chain disruptions and inflation will further increase the uncertainty of economic recovery. From China's perspective, although China's economy is facing the pressure tripled by demand contraction, supply shock and weakening expectations, the fundamentals of China's long-term economic upturn remain unchanged, as do the favorable conditions for building a new development pattern. The Chinese government will adhere to the principle of "Maintaining Steady Growth", continue to coordinate the Epidemic prevention and control with economic and social development, accelerate the building of a new development pattern with a major domestic cycle and domestic and international dual cycles to promote each other, and promote deep reform and high-quality development with a more open attitude. The Chinese government and its relevant departments predict that China's national economic growth rate is expected to be around 5.5% in 2022. Thus, the economic growth of the Group will face many challenges together with the existence of opportunities in 2022.

Looking forward to the year of 2022, the Group will continue to adhere to the objective of maximizing the interests of the shareholders as a whole, focusing on the development of principal businesses of port production and integrated logistics services, insisting on the overall fundamental of steady progress, sticking to the concept of new development, sticking to supply side reform to promote the sustainable and sound development of the Group. On the one hand, the Group will continue to deepen the construction of "Container Shipping Home Port", strengthen the overall marketing and headquarters marketing, consolidate the strategic partnership between ports and shipping, implement the hinterland strategy of "Two-way Sea

Chairman's Statement

and Land Transportation and Attracting Traffic with Goods", and strengthen the principal business of ports; deepen the integration of port resources, optimize the business environment of ports, implement the strategy of "Service Strengthening Port", and promote the high-quality development of ports. On the other hand, the Group will strictly abide by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), strengthen corporate governance, strengthen information disclosure and investor relations, and enhance market image; promote refined management and improve the internal control system to promote the transformation, upgrading and innovative development of the enterprise, continuously enhance the operating efficiency and management efficiency, and strive to bring stable returns to shareholders. In addition, the Group will actively fulfill its social responsibilities, actively implement the goals of "Carbon Peaking and Carbon Neutrality", coordinate the promotion of environmental, social and corporate governance, advance the construction of "Smart and Environment Friendly" ports, and follow the path of green and sustainable development.

Lastly, on behalf of the Board, I would like to express my sincere gratitude to the shareholders, investors and business partners for their unfailing trust and support to the Group. At the same time, I would also like to give my heartfelt thanks to all our staff for their tireless efforts. I firmly believe that, with the strong support of all shareholders, the correct leadership of the Board and the joint efforts of all our staff, the Group will definitely achieve a better development and create greater wealth for the shareholders.

CAI Liqun

Chairman

Xiamen, the PRC

25 March 2022

Management Discussion and Analysis

INDUSTRY OVERVIEW

China's Foreign Trade and Port Container Business

In 2021, the global economic recovery continued, but the continuing evolution of the Epidemic had a significant impact on the global economy, trade and shipping environment. Confronted with the complex and severe international environment and the spread of the Epidemic at home, among others, the Chinese government adhered to the principles of making progress while maintaining stability, and insisted on coordinating Epidemic prevention and control and economic and social development scientifically. China maintained its leading position in the world in both economic development and regular Epidemic prevention and control, and the national economy generally operated within a reasonable range. According to the PRC National Bureau of Statistics, China's gross national product ("GNP") in 2021 was approximately RMB114,367 billion, exceeding RMB110 trillion for the first time in history and remained 2nd in the world, representing an increase of approximately 8.1% over the same period of 2020 (same as below), achieving a faster economic growth than any other major economies in the world; China's total import and export of goods amounted to approximately RMB39,100.9 billion, representing an increase of approximately 21.4% over the previous year, with its market share in international markets continuing to increase, which further consolidated China's No.1 position in the world in goods trade. Among which, export of goods increased by approximately 21.2% to approximately RMB21,734.8 billion and import of goods increased by approximately 21.5% to approximately RMB17,366.1 billion for the full year. After offsetting import against export, foreign trade surplus amounted to approximately RMB4,368.7 billion, representing an increase of approximately 20.4% over the previous year. For the port operation business, China's port cargo throughput was approximately 15.55 billion tonnes in 2021, representing a year-on-year increase of approximately 6.8%, while the port container throughput was approximately 282.72 million TEUs, representing a year-on-year growth of approximately 7.0%.

Foreign Trade in Fujian and Ports in Xiamen

In 2021, Fujian made best endeavour to consolidate and expand the Epidemic prevention and control and economic and social development achievements. The economy showed strong resilience. Production and supply steadily recovered, consumer demand continued to pick up, and employment remained stable. The economy of the whole province maintained a recovery trend, and run within a reasonable range. According to the Fujian Provincial Government, the gross domestic product ("GDP") of Fujian Province in 2021 was approximately RMB4,881.04 billion, representing a year-on-year growth of approximately 8.0%. The total export and import amount of foreign trade was approximately RMB1,844.96 billion, representing

Management Discussion and Analysis

a year-on-year increase of approximately 30.9%, among which, the export of goods for the whole province was approximately RMB1,081.65 billion, representing a year-on-year increase of approximately 27.7%, while the import of goods was approximately RMB763.31 billion, representing a year-on-year increase of approximately 35.7%. The port cargo throughput amounted to approximately 691.903 million tonnes, representing a year-on-year increase of approximately 11.4%, and the container throughput was approximately 17.462 million TEUs, representing a year-on-year increase of approximately 1.5%.

In 2021, Xiamen adhered to innovation-driven development, promoted industrial transformation and upgrading, and was selected as the National Supply Chain Innovation and Application Demonstration City. It actively developed the marine economy and the digital economy, strengthened trade cooperation with countries along the “Silk Road Economic Belt” (「絲綢之路經濟帶」) and the “21st Century Maritime Silk Road” (「21世紀海上絲綢之路」), and was approved to carry out new offshore international trade trials. Xiangyu and Haicang port comprehensive free trade zones were officially put into operation, and sound social and economic development was achieved. In 2021, the total import and export of foreign trade in Xiamen City was approximately RMB887.65 billion, representing a year-on-year increase of approximately 27.7%, of which export of goods was approximately RMB430.73 billion and import of goods was approximately RMB456.92 billion, representing a year-on-year increase of approximately 20.6% and 35.3%, respectively. The total container throughput of Xiamen port was approximately 12.046 million TEUs, representing an increase of approximately 5.6% over 2020, its container throughput continuously ranked seventh among the ports in Mainland China and thirteenth among container ports in the world, accounting for approximately 69.0% of the total container throughput in Fujian Province.

BUSINESS REVIEW

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

Management Discussion and Analysis

Business Scale

During the Year, the Group owned and operated a total of 39 berths designated for containers and bulk/general cargoes in both international and domestic trade, with a water depth of wharf apron ranging from 9.9 meters to 17.5 meters for accommodating container vessels up to 200,000 tonnage. The Group has also reserved sizeable space for storage facilities (depots/warehouses) and relevant auxiliary facilities both within and outside the terminal areas.

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

In addition, the Group also operated ITG Terminal (Dongdu berths No. 20 and No. 21), Haiyi Terminal (Dongdu berth No. 18) and Shihushan Terminal (Dongdu berth No. 19) in Dongdu port area, Haiyu Terminal (Haicang berth No. 7) and Hailong Terminal (Haicang berths No. 20 and No. 21) in Haicang port area, Huajin Terminal (berths No. 1 to No. 4 of Huajin Terminal) in Quanzhou port, as well as Chaozhou Xiaohongshan Terminal in the new port area of Sanbaimen, Chaozhou City, Guangdong Province (berths No. 1 and No. 2 in the new port area of Sanbaimen, Chaozhou) for bulk/general cargo loading and unloading operations of international and domestic trade.

Apart from the aforesaid 39 berths owned by the Group, during the Year, the Group also leased and operated berth No. 8 in Haicang port area (Mingda Terminal) from Mingda Terminal (Xiamen) Limited (明達碼頭(廈門)有限公司), and berths No. 6 to No. 8 in the south port area of Liuwudian of Xiamen (Haixiang Terminal) from Xiamen Port Haixiang Terminal Co., Ltd. (廈門港務海翔碼頭有限公司) ("Haixiang Terminal Company"). In addition, the Group has also leased and operated berth No. 8 in Qingzhou operating area of Fuzhou (Fuzhou Zhongying Terminal) from Fuzhou Zhongying Gangwu Co., Ltd. (福州中盈港務有限公司) ("Zhongying Gangwu") for operation of the container and general cargo loading and unloading business and the port-related comprehensive logistics business since 20 November 2012.

Management Discussion and Analysis

Container Port Business

During the Year, the Group achieved a container throughput of 9,864,534 TEUs. Details of the container throughput handled by each terminal are as follows:

	Container throughput		
	2021 (TEUs)	2020 (TEUs)	Increase/ (Decrease)
Haitian Terminal and Hairun Terminal of the Group ^①	5,077,907	5,062,464	0.31%
XICT and XHICT ^②	1,144,848	984,654	16.27%
Songyu Terminal ^③	1,534,102	1,424,387	7.70%
Xinhaida Terminal ^④	1,393,529	1,436,189	(2.97%)
Total throughput in Xiamen	9,150,386	8,907,694	2.72%
Fuzhou Zhongying Terminal ^⑤	287,908	285,358	0.89%
Quanzhou Huajin Terminal ^⑥	357,068	421,220	(15.23%)
Chaozhou Xiaohongshan Terminal ^⑥	69,172	1,358	4993.67%
Total throughput	9,864,534	9,615,630	2.59%

- ① Since 1 January 2016, Xiamen Terminal Group and its wholly-owned subsidiary Hairun Terminal have successively leased and operated Haitong Terminals (Songyu berths No. 4 to No. 6) from Haitong Terminal Company, a former wholly-owned subsidiary of Xiamen Port Holding and becoming a wholly-owned subsidiary of Xiamen Terminal Group in December 2021 due to equity transaction accordingly, due to their business development needs. Since January 2017, Xiamen Terminal Group has leased the relevant berths in Haixiang Terminal for the operation of container business. Therefore, for the purpose of the operating information set out in this chart, the related operating figures of Haitian Terminal and Hairun Terminal included the figures relating to the container business of Dongdu berths No. 5 to No. 16, Haitong Terminal, berths No. 4, No. 5 and No. 6 in the Haicang port area of Xiamen port and the relevant berths in Haixiang Terminal.
- ② XICT and XHICT are joint ventures established by Xiamen Terminal Group with Hutchison Ports Xiamen Limited and Hutchison Ports Haicang Limited, respectively. Since 1 September 2008, as a result of the commencement of unified operation of XICT and XHICT, the relevant operating information of XICT also incorporated the figures of XHICT, both were consolidated in the calculation and were fully incorporated into the port business. The Company has adopted "HKFRS 11 — Joint Arrangements" for the financial year beginning on 1 January 2013 and determined the Group's jointly controlled entities as joint ventures with its interest accounted for under the equity method. Pursuant to the relevant agreed arrangement entered into on 28 November 2016, XHICT has become a subsidiary of the Group accordingly. Pursuant to the relevant agreed arrangement entered into on 15 May 2017, XICT has become a subsidiary of the Group accordingly.
- ③ Songyu Terminal and Xinhaida Terminal are terminals controlled and operated, directly or indirectly, by the Group and Xiamen Terminal Group, and the related operating figures of the two terminals were fully included in the port business.
- ④ Since 20 November 2012, the Group has leased and operated Fuzhou Zhongying Terminal from Zhongying Gangwu for the operation of container and general cargo loading and unloading business as well as port-related comprehensive logistics business.
- ⑤ Quanzhou Huajin Terminal was consolidated into the Group at the end of October 2017, which was a terminal directly or indirectly controlled by the Group and Xiamen Port Development. Quanzhou Huajin Terminal originally owned berths No.1 to No. 3. After Quanzhou Huajin Terminal No. berth 4 was put into operation in October 2021, Quanzhou Huajin Terminal currently operates four berths.
- ⑥ Chaozhou Xiaohongshan Terminal has commenced operation since June 2020. Therefore, the relevant operating figures of this terminal from June to December 2020 and the year of 2021 were set out in this chart accordingly.

Management Discussion and Analysis

In 2021, the container port business of the Group increased by approximately 2.59% over the previous year. Among which, the container port business in Xiamen increased by approximately 2.72% over the previous year, mainly because (1) we deepened the strategic port-shipping cooperation, seized the opportunity brought by substantial increase of foreign trade demand in shipping market as a result of economic recovery, and focused on developing foreign trade container business. The throughput of foreign trade container business amounted to approximately 6.326 million TEU, increased by approximately 12% year on year, which to some extent made up for the decline of domestic trade container business of Xinhaida Terminal and other terminal berths caused by the shortage of domestic trade container shipping capacity; (2) we actively implemented hinterland strategy, and enhanced transit service security system. The common business of international container transshipment completed approximately 731,000 TEUs, increased by approximately 16.3% over the previous year, and the domestic feeder line container transshipment business completed approximately 822,000 TEUs, increased by approximately 13.1% over the previous year. Fuzhou Zhongying Terminal made efforts to promote the development of container feeder line business. Fuzhou-Xiamen feeder line and Fuzhou-Ningbo feeder line together achieved a container throughput of approximately 212,000 TEUs, including approximately 188,000 TEUs for foreign trade, increased by approximately 18.5% over the previous year, effectively making up for the adverse impact of domestic trade container shipping market adjustment. The container throughput of Quanzhou Huajin Terminal decreased by approximately 15.2% over the previous year, due to the adjustment of domestic trade capacity of major domestic trade carriers and the intensification of supply competition in the domestic trade shipping market. Chaozhou Xiaohongshan Terminal opened a new shipping line of Chaozhou-Taicang on the basis of Xiamen-Chaozhou container feeder line. It completed a container throughput of approximately 69,000 TEUs in the year, making great achievement in the container business cultivation. The terminal was approved to open to the outside world in July 2021.

Management Discussion and Analysis

Bulk/General Cargo Port Business

In 2021, the total annual bulk/general cargo throughput achieved by the Group was 33,048,246 tonnes, details of which are as follows:

	Bulk/general cargo throughput		
	2021 (Tonnes)	2020 (Tonnes)	Increase
Hailong Terminal, ITG Terminal and Songyu Terminal ^①	8,972,211	7,224,328	24.19%
Shihushan Terminal, Haiyi Terminal and Haiyu Terminal ^②	18,652,869	17,515,131	6.50%
Total throughput in Xiamen	27,625,080	24,739,459	11.66%
Fuzhou Zhongying Terminal ^③	51,635	35,460	45.61%
Quanzhou Huajin Terminal ^④	4,993,866	1,557,115	220.71%
Chaozhou Xiaohongshan Terminal ^⑤	377,665	16,168	2,235.88%
Total throughput	33,048,246	26,348,202	25.43%

- ① ITG Terminal, which has been leased by Xiamen Port Development, Hailong Terminal and other companies successively and respectively since April 2014 for the operation of bulk/general cargo business. In addition, Xiamen Port Development and Hailong Terminal have leased the relevant assets of XICT since 1 July 2015 successively and respectively for the operation of the bulk/general cargo business; Hailong Terminal has leased the relevant berths of Haixiang Terminal for the operation of bulk/general cargo business since January 2017; the general cargo business of Songyu Terminal has been taken over by Hailong Terminal since November 2017, its relevant operating figures were 100% incorporated in the port business. Therefore, for the purpose of the operating information set out in this chart, the related operating figures for the bulk/general cargo businesses of Hailong Terminal, ITG Terminal and Songyu Terminal included those of berths of Hailong Terminal, ITG Terminal, Songyu Terminal, XICT Terminal and Haixiang Terminal.
- ② Shihushan Terminal, Haiyi Terminal and Haiyu Terminal have been incorporated into the Group at the end of November 2016, Shihushan Terminal has leased berth No. 8 (Mingda Terminal) in the Haicang port area of Xiamen port since April 2018. Therefore, for the purpose of the operating information set out in this chart, the related operating figures of Shihushan Terminal, Haiyi Terminal and Haiyu Terminal included the related figures of the three terminals and Mingda Terminal.
- ③ Since 20 November 2012, the Group has leased and operated Fuzhou Zhongying Terminal from Zhongying Gangwu for operation of its container and general cargo loading and unloading businesses and its port-related comprehensive logistics business.
- ④ Quanzhou Huajin Terminal was consolidated into the Group at the end of October 2017, which was a terminal directly or indirectly controlled by the Group and Xiamen Port Development. Quanzhou Huajin Terminal originally owned berths No.1 to No. 3. After Quanzhou Huajin Terminal No. berth 4 was put into operation in October 2021, Quanzhou Huajin Terminal currently operates four berths.
- ⑤ Chaozhou Xiaohongshan Terminal has commenced operation since June 2020. Therefore, the relevant operating figures of this terminal from June to December 2020 and the year of 2021 were set out in this chart accordingly.

Management Discussion and Analysis

During the Year, the bulk/general cargo port business of the Group increased by approximately 25.43% over the previous year. Among which, the bulk/general cargo port business in Xiamen increased by approximately 11.7% over the previous year, mainly because (1) Shihushan Terminal, Haiyi Terminal and Haiyu Terminal benefited from the improvement of coal and iron ore business due to the recovery of the domestic economy and the good steel market, and the increased demand for coal power and steel production capacity, with the coal and iron ore business throughput increasing by approximately 1.1% and 19.2%, respectively; (2) Hailong Terminal and other general cargo terminals benefited from the growth of sand, coke, foreign trade steel and zirconium sand businesses and the new development of chemical raw materials business, with the total throughput increasing by approximately 24.2%. The general cargo throughput of Fuzhou Zhongying Terminal increased by approximately 45.6% over the previous year, mainly thanks to its innovative business model and joint marketing efforts. The business cooperation between the terminal and the main shippers expanded from foreign trade business to both domestic and foreign trade business, and its steel throughput for domestic trade increased by approximately 12.3 times compared with last year. The bulk throughput of Quanzhou Huajin Terminal increased by approximately 220.7% over the previous year, mainly because it has developed the manufactured sand business in good time based on the market condition, and developed the coal business by seizing the opportunity brought by the capacity expansion of chemical enterprise customers, and all these efforts achieved suitable results. Chaozhou Xiaohongshan Terminal promoted the construction of concrete storage tank of related cargo owners. The project was put into operation in July 2021, and completed the cement business throughput of 372,300 tonnes, the bulk /general cargo throughput of the terminal achieving significant increase.

Port Comprehensive Logistics Services

Port comprehensive logistics services of the Group mainly include a number of businesses, such as shipping agency, tallying, tugboat-assisted berthing and unberthing, and related logistics services. During the Reporting Period, the Group actively promoted the overall marketing and coordinated development of port comprehensive logistics services and terminal loading and unloading business, and achieved certain results. During the year under review, with regard to the tugboat-assisted berthing and unberthing business, while effectively consolidating the dominant market position in Xiamen port, the Group deeply tapped the market demand outside Xiamen port and developed extended services such as tugboat supporting services for offshore wind power projects. The business outlets outside Xiamen port achieved remarkable performance, and the economic benefits inside and outside Xiamen port hit a new high. With regard to the shipping agency business, the Group ranked among the top in terms of the market share of public shipping agency, maritime freight agency and air freight agency. The Group set up outlets in Zhangzhou, Gulei, Tianjin and Ji'an, and expanded the cargo source hinterland of the Yangtze River Economic Belt and sea-rail combined

Management Discussion and Analysis

transport train, achieving steady and rising economic benefits. With regard to tallying business, the Group continued to promote the informatization of tallying, and completed the integrated operation of domestic and foreign trade container tallying at Haitian Terminal. The operation volume of foreign trade container and foreign trade general cargo increased, while the domestic trade container tallying business declined due to the overall market influence. With regard to port-related logistics services, the Group actively promoted the pilot operation of comprehensive bonded zone policy and obtained the export e-commerce business qualifications, the empty container, LCL (i.e. less than container load), bonded storage and freight forwarding business achieved great growth.

Merchandise Trading Business

In 2021, adhering to the operation philosophy of combining port business and trade and taking advantage of the port platform, the Group cultivated and built the operation mode of integrating upstream and downstream resources of bulk commodities, and developed an operation system focusing on coal, steel, chemical raw materials, agricultural products, silicon metal and other core products. The Group continued to promote the practice of boosting port business with trade and boosting trade with port services, in order to deepen and expand the integration of port business and trade. In 2021, the scale of coastal supply chain business increased significantly, and during the Reporting Period, the revenue and benefits of trade business achieved breakthrough growth. In addition, the Group actively enhanced the risk control for trading business, upgraded and optimized the business and contract management information system, enhanced business management and control level, and strengthened accounts receivable and inventory management, in order to promote the robust operation of trading business.

FINANCIAL REVIEW

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

Revenue

Revenues of the Group increased by approximately 45.2% from approximately RMB17,691,738,000 for the year ended 31 December 2020 to approximately RMB25,690,112,000 for the year ended 31 December 2021. The increase was mainly due to the increase in revenue from the container business, the bulk/general cargo business and the merchandise trading business of the Group.

Revenue by business sector

Business	For the year ended 31 December		
	2021 (RMB'000)	2020 (RMB'000) (restated)	Increase
Container loading and unloading and storage business	2,268,295	2,065,987	9.8%
Bulk/general cargo loading and unloading business	946,110	833,107	13.6%
Comprehensive port logistics service	886,388	832,585	6.5%
Trading business of merchandise	21,589,319	13,960,059	54.7%
Total	25,690,112	17,691,738	45.2%

The reasons for the changes in the revenue of each business sector for the year ended 31 December 2021 compared with 2020 are as follows:

1. The revenue of the Group's container loading and unloading and storage business for the Year increased by approximately 9.8% as compared to the year ended 31 December 2020, which was mainly due to the increase of foreign trade container throughput by approximately 12.0% for the Year.
2. The revenue of the Group's bulk/general cargo loading and unloading business for the Year increased by approximately 13.6% as compared to the year ended 31 December 2020, which was mainly due to the increase in the throughput of bulk/general cargo loading and unloading segment for the Year.

Management Discussion and Analysis

3. The revenue of the Group's comprehensive port logistics services for the Year increased by approximately 6.5% as compared to the year ended 31 December 2020, mainly because the business volume of Ocean Shipping Agency and Xiamen Port Logistics Co., Ltd. (廈門港務物流有限公司) ("Port Logistics") increased, which benefits from the growth of export and import business.
4. Following the transfer of the equity in Xiamen Road and Bridge Building Materials Co., Ltd. on 28 December 2020, the Group reorganised certain subsidiaries and a joint venture in the manufacturing and selling of building materials segment into the merchandise trading business, and restated the corresponding information for the year ended 31 December 2020. The revenue of the Group's trading business for the Year increased by approximately 54.7% as compared to the year ended 31 December 2020 (as restated), which was mainly due to the significant increase in the trading business volume of coals, agricultural products and steels.

Cost of sales

Cost of sales increased by approximately 47.5% from approximately RMB16,480,581,000 for the year ended 31 December 2020 (as restated) to approximately RMB24,314,576,000 for the year ended 31 December 2021. The increase was primarily due to the increase in the cost of trading merchandise and increase in employee benefits expense.

- Cost of trading merchandise and cost of inventories consumed increased by approximately 53.7% from approximately RMB14,049,726,000 for the year ended 31 December 2020 to approximately RMB21,599,356,000 for the year ended 31 December 2021. The increase was mainly due to the significant increase in the business volume of coals, agricultural products and steels.
- Employee benefits expense increased by approximately 21.2% from approximately RMB898,448,000 for the year ended 31 December 2020 to approximately RMB1,088,620,000 for the year ended 31 December 2021. The increase was primarily due to the preferential policies for social securities in 2020 due to the Epidemic.

Gross profit

Due to the increase of revenue of the Group, the Group's gross profit increased by approximately 13.6% from approximately RMB1,211,157,000 for the year ended 31 December 2020 (as restated) to approximately RMB1,375,536,000 for the year ended 31 December 2021. Gross profit margin of the Group decreased

Management Discussion and Analysis

from approximately 6.8% for the year ended 31 December 2020 (as restated) to approximately 5.4% for the year ended 31 December 2021. The decrease in gross profit margin was mainly due to the increase in revenues of the Group's merchandise trading business which has a relatively lower gross profit margin.

Other gain/(loss)

The Group's other gain/(loss) change from approximately RMB32,597,000 in loss for the year ended 31 December 2020 (as restated) to approximately RMB52,549,000 in gain for the year ended 31 December 2021. The change was primarily due to the foreign exchange gains resulting from RMB appreciating against U.S. dollar and the significant increase in the foreign currency accounts payable of the Group's trading business of merchandise and fair value change of derivative financial instrument of the Group's trading business of merchandise, the instruments was used to mitigate trading business's inventory pricing risk.

Operating expenses

The Group's operating expenses increased by 14.1%, from approximately RMB505,053,000 for the year ended 31 December 2020 (as restated) to approximately RMB576,224,000 for the year ended 31 December 2021. The increase was primarily due to the increase in revenue in trading business of merchandise for the Year along with increase in operating expenses.

Operating profit

The Group's operating profit increased by approximately 15.4% from approximately RMB1,041,014,000 for the year ended 31 December 2020 (as restated) to approximately RMB1,201,228,000 for the year ended 31 December 2021. The Group's operating profit margin decreased from approximately 5.9% for the year ended 31 December 2020 (as restated) to approximately 4.7% for the year ended 31 December 2021, which was mainly due to the increase in revenues of the Group's merchandise trading business which has a relatively lower operating profit margin.

Income tax expense

The Group's income tax expense increased by approximately 2.0% from approximately RMB210,539,000 for the year ended 31 December 2020 to approximately RMB214,711,000 for the year ended 31 December 2021. The increase was mainly due to the increase of profit before income tax expense.

Management Discussion and Analysis

Profit for the Year

The Group's profit for the Year increased by approximately 30.8% from approximately RMB588,002,000 for the year ended 31 December 2020 (as restated) to approximately RMB769,110,000 for the year ended 31 December 2021. The Group's profit margin was approximately 3.3% for the year ended 31 December 2020 (as restated) and approximately 3.0% for the year ended 31 December 2021. The decrease in profit margin for the Year was mainly to the increase in revenues of the Group's merchandise trading business which has a relatively lower profit margin.

Total comprehensive income for the Year

Total comprehensive income for the Year increased by approximately 33.1% from approximately RMB579,697,000 for the year ended 31 December 2020 (as restated) to approximately RMB771,758,000 for the year ended 31 December 2021. The increase was mainly due to the increase of container loading and unloading business of the Group for the Year.

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

Total comprehensive income for the Year attributable to non-controlling interests increased by approximately 10.9% from approximately RMB320,317,000 for the year ended 31 December 2020 (as restated) to approximately RMB355,150,000 for the year ended 31 December 2021. In October 2021, the Group acquired 20% non-controlling interests in Xiamen Terminal Group from NWXP, and then in November 2021, the Group additionally acquired 10% non-controlling interests in Xiamen Terminal Group from Xiangyu Logistics. The increase of total comprehensive income for the year ended 31 December 2021 attributable to non-controlling interests was mainly due to the increase of total comprehensive income. The increase extent of total comprehensive income for the Year attributable to non-controlling interests was lower than the increase extent of total comprehensive income for the Year was mainly because the decrease of percentage of non-controlling interests.

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

Total comprehensive income for the year ended 31 December 2021 attributable to owners of the Company increased by approximately 60.6% from approximately RMB259,380,000 for the year ended 31 December

Management Discussion and Analysis

2020 (as restated) to approximately RMB416,608,000 for the year ended 31 December 2021. The increase was mainly because total comprehensive income for the year ended 31 December 2021 increased by approximately 33.1% and the portion of equity attributable to owners of the Company of Xiamen Terminal Group increased for the Year.

Account receivable

The Group's net account receivable decreased by approximately 14.2% from approximately RMB1,291,799,000 as at 31 December 2020 to approximately RMB1,107,941,000 as at 31 December 2021. The decrease was primarily because the Group strengthened management of the receivable, and facilitated the collection of receivable for the Year.

As at 31 December 2021, the Group's gross account receivable was approximately RMB1,191,223,000 of which approximately RMB956,986,000 account receivable was aged within six months, accounting for approximately 80.3% of the total account receivable, approximately RMB41,856,000 were aged between six months to one year, approximately RMB33,940,000 were aged between one year to two years, approximately RMB97,822,000 were aged between two years to three years and approximately RMB60,619,000 were aged over three years.

Accounts and notes payable

The Group's accounts and notes payable increased by approximately 2.5% from approximately RMB1,840,281,000 as at 31 December 2020 (as restated) to approximately RMB1,886,082,000 as at 31 December 2021. This was primarily due to the increase in merchandise trading business for the Year.

As at 31 December 2021, the Group's accounts and notes payable within one year were approximately RMB1,769,936,000, accounting for approximately 93.8% and due over one year were approximately RMB116,146,000, accounting for approximately 6.2%.

Borrowings

The Group's borrowings increased by approximately 38.7% from approximately RMB8,482,105,000 as at 31 December 2020 (as restated) to approximately RMB11,765,171,000 as at 31 December 2021.

As at 31 December 2021, borrowings due within one year were approximately RMB8,073,342,000, due within one to two years were approximately RMB656,211,000, due within two to five years were approximately RMB2,512,399,000 and due over five years were approximately RMB523,219,000.

Management Discussion and Analysis

As at 31 December 2021, the Group's total bank borrowings guaranteed were approximately RMB615,314,000, which was guaranteed by non-controlling shareholders of subsidiaries. The Group's total secured bank borrowings were approximately RMB167,020,000, where a bank borrowing of approximately RMB100,520,000 was secured by land use rights and a bank borrowing of approximately RMB66,500,000 was secured by sea use rights.

Cash flows and working capital

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

The following table sets out the Group's cash flows derived from operating activities, investing activities and financing activities for the years ended 31 December 2020 and 2021 respectively:

	2021 RMB'000	2020 RMB'000 (Restated)
Net cash generated from operating activities	1,921,715	1,415,556
Net cash used in investing activities	(2,553,250)	(1,984,823)
Net cash generated from/(used in) financing activities	2,882,661	(586,009)
Net increase/(decrease) in cash and cash equivalents	2,251,126	(1,155,276)
Cash and cash equivalents at beginning of year	719,738	1,883,832
Exchange gains/(losses) on cash and cash equivalents	440	(8,818)
Cash and cash equivalents at end of year	2,971,304	719,738

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

Operating activities

The Group's net cash generated from operating activities increased by approximately 35.8% from approximately RMB1,415,556,000 for the year ended 31 December 2020 (as restated) to approximately RMB1,921,715,000 for the year ended 31 December 2021. The main reasons for the increase in net cash of operating activities include the increase in net cash generated from operations of approximately RMB544,095,000, the increase in income tax expense paid of approximately RMB21,411,000 and the increase in interest paid of approximately RMB16,525,000 in 2021.

Management Discussion and Analysis

Investing activities

The Group's net cash used in investing activities increased from outflow of approximately RMB1,984,823,000 for the year ended 31 December 2020 (as restated) to outflow of approximately RMB2,553,250,000 for the year ended 31 December 2021. The increase in cash outflow in investment activities in 2021 was mainly due to the acquisition of equity interests from non-controlling shareholders of Xiamen Terminal Group of approximately RMB2,364,098,000, and business combination under common control of Haitong Terminal Company of approximately RMB970,588,000 in 2021.

Financing activities

The Group's net cash generated from/(used in) financing activities changed from outflow of approximately RMB586,009,000 for the year ended 31 December 2020 (as restated) to inflow of approximately RMB2,882,661,000 for the year ended 31 December 2021. The increase in net cash inflow generated from financing activities in 2021 was primarily because of the net cash inflow from borrowing and repayment of bank and related party loans were approximately RMB3,235,440,000 for the Year, representing a significantly increase compared with last year's net cash inflow of approximately RMB15,155,000.

Capital expenditure

The Group's capital expenditures for the year ended 31 December 2020 and for the year ended 31 December 2021 primarily included expenditures on port terminal infrastructure and purchase of equipment and machineries. The following table sets out the Group's capital expenditures in 2020 and 2021:

	2021 RMB'000	2020 RMB'000 (Restated)
Total capital expenditure	722,478	676,615

Capital expenditure commitments

As at 31 December 2021, the Group's capital expenditure commitments were approximately RMB319,971,000 mainly consisting of expenditure on constructing and improvement in port and storage infrastructure, acquisition of new loading machineries, other machineries and building renovation.

Management Discussion and Analysis

Material subsidiaries of the Company

	Xiamen Terminal Group RMB'000	Xiamen Port Development RMB'000
Principal activities	Container loading and unloading, transfer, storage and other related port services	Bulk/general cargo loading and unloading, storage and other related port services; comprehensive port logistics service; trading business of merchandise
Percentage of shareholding as at 31 December 2021	89.45%	61.89%
Cost of investment	6,507,633	1,196,757
The scale of investments in its total asset value	24.44%	4.49%
Financial performance for the year ended 31 December 2021 – net profit	556,708	280,420
Dividends received for the year ended 31 December 2021	208,286	6,964

Exchange rate and interest rate risk

The Group's bank borrowings are denominated in RMB, US dollars, EUR, and Canadian dollars. To the extent that RMB appreciates (or depreciates) against US dollars, EUR and Canadian dollar, the value of bank borrowings and repayment cost of such borrowings will decrease (or increase) correspondingly. In addition, since only a minor part of the business revenue is settled in foreign currencies, fluctuation in RMB exchange rate has no material impact on the business operations of the Group. The Group believes that the appreciation of RMB had no material impact on the operating results and financial position of the Group as at 31 December 2021.

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

Net debt to equity ratio

The Group's net gearing, calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet)

Management Discussion and Analysis

less cash and cash equivalents. Total capital is calculated as “equity” as shown in the consolidated balance sheet plus net debt, changed from approximately 36.6% as at 31 December 2020 (restated) to approximately 45.2% as at 31 December 2021.

Contingent liabilities

The Group confirmed that there was no contingent liability for the Year.

Legal Proceedings

The Group confirmed that there was no significant litigation against the Group for the Year, and the Board was not aware of any pending or threatened litigation against the Group which had or could have a material and adverse effect on the financial conditions or operations of the Group.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 31 December 2021, the Group had a total of 7,212 employees, representing an increase of 130 employees as compared to 31 December 2020. The increase was mainly due to the expansion of business scope and the exploration of new businesses by the relevant wholly-owned subsidiaries of Xiamen Ocean Shipping Tally Co., Ltd., a subsidiary of the Group. During the Year, the total staff cost accounted for approximately 5.8% of the revenue of the Group. The remuneration of the Group’s employees included basic salary, other allowances and performance-based bonus, which were determined according to job nature, individual performance, qualification and experience as well as the prevailing practice of the industry. Employees may be offered bonus or awards according to the Group’s annual operating performance and the assessment results of their performance. The payment of rewards is an impetus to motivate employees. The Group’s remuneration policy is reviewed on a regular basis.

ESTABLISHMENT OF NEW COMPANIES

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

Management Discussion and Analysis

On 12 March 2021, Xiamen Terminal Group and SITC Logistics Co., Ltd. (海豐物流有限公司) (“SITC Logistics”) jointly invested in establishing Xiamen Fanhailian International Integrated Logistics Co., Ltd. (廈門泛海聯國際綜合物流有限公司) (“Fanhailian”) in Xiamen City, Fujian Province, which principally engages in businesses such as loading, unloading and transport, cargo storage, and city distribution and transportation services. The registered capital of Fanhailian is RMB6,000,000, which is held as to 51% by Xiamen Terminal Group and 49% by SITC Logistics, and the relevant industrial and commercial registration formalities have been completed.

On 29 April 2021, Xiamen Terminal Group and Nezha Port and Shipping Smart Technology (Shanghai) Co., Ltd. (哪吒港航智慧科技(上海)有限公司) (“Nezha Technology”) and Fujian Electronic Port Co., Ltd. (福建電子口岸股份有限公司) (“Electronic Port”) jointly invested and established Xiamen Zhitusi Technology Co., Ltd. (廈門智圖思科技有限公司) (“Zhitusi”) in Xiamen City, Fujian Province, which principally engages in computer information system software development, production, integration and other related businesses. The registered capital of Zhitusi is RMB15,000,000, which is held as to 51% by Xiamen Terminal Group, 40% by Nezha Technology and 9% by Electronic Port, and the relevant industrial and commercial registration formalities have been completed.

On 25 October 2021, Ocean Shipping Agency, a subsidiary of the Company, established Zhangzhou Gulei Port Economic Development Zone Branch of Ocean Shipping Agency (廈門外代漳州古雷港經濟開發區分公司) in Gulei Development Zone of Zhangzhou City, Fujian Province, mainly engaged in shipping agency, non-vessel operation, customs declaration business, and other businesses, its relevant industrial and commercial registration procedures have been completed.

OTHER MAJOR EVENTS IN 2021

On 26 February 2021, the Company has been notified by Xiamen Port Holding that the procedures for changing its industrial and commercial registration as a result of the completion of the proposed transfer has been completed, whereupon (i) the entire equity interest in Xiamen Port Holding is held by Fujian Province Port Group Limited Liability Company (福建省港口集團有限責任公司) (“Fujian Port Group”) and Xiamen Port Holding has become a wholly-owned subsidiary of Fujian Port Group; and (ii) the ultimate beneficial owner of the Company has been changed from the State-owned Assets Supervision and Administration Commission of Xiamen Municipal People’s Government to the State-owned Assets Supervision and Administration Commission of the People’s Government of Fujian Province.

Management Discussion and Analysis

In the year of 2021, the Company has issued nine tranches of the super short-term notes successively, and the net proceeds were used for repaying the relevant issued super short-term notes which were due, supplementing the Group's working capital and repaying the Group's bank loans and other interest-bearing debts, respectively. The details of the issues are as follows:

- (i) On 12 March 2021, the Company has completed the issue of the first tranche of the super short-term notes in 2021 with a term of 180 days from the date of issue with a total principal amount of RMB1,000,000,000 at a fixed interest rate of 3.00% per annum.
- (ii) On 24 March 2021, the Company has completed the issue of the second tranche of the super short-term notes in 2021 with a term of 177 days from the date of issue with a total principal amount of RMB800,000,000 at a fixed interest rate of 2.99% per annum.
- (iii) On 6 April 2021, the Company has completed the issue of the third tranche of the super short-term notes in 2021 with a term of 120 days from the date of issue with a total principal amount of RMB1,100,000,000 at a fixed interest rate of 2.88% per annum.
- (iv) On 28 July 2021, the Company has completed the issue of the fourth tranche of the super short-term notes in 2021 with a term of 268 days from the date of issue with a total principal amount of RMB600,000,000 at a fixed interest rate of 2.74% per annum.
- (v) On 30 July 2021, the Company has completed the issue of the fifth tranche of the super short-term notes in 2021 with a term of 180 days from the date of issue with a total principal amount of RMB1,100,000,000 at a fixed interest rate of 2.61% per annum.
- (vi) On 27 August 2021, the Company has completed the issue of the sixth tranche of the super short-term notes in 2021 with a term of 180 days from the date of issue with a total principal amount of RMB480,000,000 at a fixed interest rate of 2.58% per annum.
- (vii) On 6 September 2021, the Company has completed the issue of the seventh tranche of the super short-term notes in 2021 with a term of 179 days from the date of issue with a total principal amount of RMB1,000,000,000 at a fixed interest rate of 2.58% per annum.
- (viii) On 15 September 2021, the Company has completed the issue of the eighth tranche of the super short-term notes in 2021 with a term of 177 days from the date of issue with a total principal amount of RMB800,000,000 at a fixed interest rate of 2.74% per annum.
- (ix) On 20 October 2021, the Company has completed the issue of the ninth tranche of the super short-term notes in 2021 with a term of 177 days from the date of issue with a total principal amount of RMB600,000,000 at a fixed interest rate of 2.80% per annum.

Management Discussion and Analysis

On 19 April 2021, the Company has completed the issue of the first tranche of the medium-term notes in 2021 with a term of 3 years from the date of issue with a total principal amount of RMB1,200,000,000 at a fixed interest rate of 3.65% per annum. The net proceeds from the issue of the first tranche of the medium-term notes in 2021 were entirely used for repaying the first tranche of the corporate bonds in 2018 issued by the Company and was due.

On 21 October 2021, the Company has completed the issue of the first tranche of the corporate bonds in 2021 with a term of 5 years from the date of issue with a total principal amount of RMB900,000,000 at a fixed interest rate of 3.43% per annum. The net proceeds from the issue of the first tranche of the corporate bonds in 2021 were entirely used for repaying the Group's interest-bearing debts and supplementing the Group's working capital so as to satisfy the requirement of its business development.

On 3 August 2021, the Board has approved the issue of the subscription shares by Xiamen Port Development on a non-public basis (the total number of the subscription shares shall not exceed 19.26% of the total registered share capital of Xiamen Port Development immediately preceding the new issue) for a total consideration of not more than RMB800,000,000, the actual number of the subscription shares shall be calculated as the final total consideration divided by the price per subscription share. Assuming the total number of the subscription shares to be issued will represent 19.26% of the total registered share capital of Xiamen Port Development immediately preceding the new issue, immediately following the completion of the subscription, the Company's equity interest in Xiamen Port Development will be decreased from approximately 61.89% to approximately 51.89%. The new issue and the subscription are subject to the satisfaction of several conditions precedent. For details of the transaction, please refer to the Company's announcement dated 3 August 2021.

On 30 June 2021, the Company and NWXP have entered into an equity transfer framework agreement in respect of the Company's acquisition of 20% equity interest in Xiamen Terminal Group from NWXP at a cash consideration of RMB1,568,000,000. On 20 August 2021, the Company and NWXP have signed a formal equity transfer agreement for the specific implementation of the above-mentioned transaction so as to clarify the relevant transaction details. The aforementioned equity interest transaction has been completed on 8 October 2021 and hence immediately thereafter the Company held 80% effective equity interest in Xiamen Terminal Group. For details of the above transactions, please refer to the Company's announcements dated 30 June 2021, 20 August 2021 and 8 October 2021, respectively, and the Company's circular dated 24 September 2021.

Management Discussion and Analysis

On 11 October 2021, the Company has entered into an equity transfer agreement with Xiangyu Logistics, pursuant to which the Company has acquired the remaining 10% equity interest in Xiamen Terminal Group held by Xiangyu Logistics at a consideration of RMB796,098,430. The above equity transaction has been completed on 22 December 2021. For details of the above transaction, please refer to the Company's announcements dated 11 October 2021, 3 December 2021 and 22 December 2021, respectively, and the Company's circular dated 12 November 2021.

Concurrently on 11 October 2021, the Company has entered into an equity transfer agreement with Xiamen ITG and Pointer Investment (a wholly-owned subsidiary of Xiamen ITG), pursuant to which the Company has acquired the remaining aggregate 10% equity interest in Xiamen Terminal Group held by Xiamen ITG and Pointer Investment at a total consideration of RMB796,098,430. The above equity transaction was completed on 4 January 2022. For details of the above transaction, please refer to the Company's announcements dated 11 October 2021, 3 December 2021 and 4 January 2022, respectively, and the Company's circular dated 12 November 2021.

On 11 October 2021 and 29 October 2021, Xiamen Terminal Group has entered into an equity transfer agreement and a supplemental agreement to the equity transfer agreement with Xiamen Port Holding successively, pursuant to which Xiamen Terminal Group has acquired the entire equity interest in Haitong Terminal Company held by Xiamen Port Holding at the consideration of RMB970,588,000. The above equity transaction was completed on 10 December 2021. For details of the above transaction, please refer to the Company's announcements dated 11 October 2021, 29 October 2021, 3 December 2021 and 10 December 2021, respectively, and the Company's circular dated 12 November 2021.

Save as the aforementioned, for the year ended 31 December 2021, there was no significant events affecting the Group.

SUBSEQUENT EVENTS

On 4 January 2022, The Group completed the acquisition of the remaining aggregate 10% equity interest in Xiamen Terminal Group held by Xiamen ITG and Pointer Investment at a total consideration of RMB796,098,430, whereupon the Group holds 100% effective equity interest in Xiamen Terminal Group, and Xiamen ITG and Pointer Investment are no longer the shareholders of Xiamen Terminal Group.

Management Discussion and Analysis

For the period ended to the date of this report in 2022, the Company has issued four tranches of the super short-term notes successively, and the net proceeds were used for repaying the relevant issued super short-term notes which were due, supplementing the Group's working capital and repaying the Group's bank loans and other interest-bearing debts, respectively. The details of the issues are as follows:

- (i) On 19 January 2022, the Company has completed the issue of the first tranche of the super short-term notes in 2022 with a term of 180 days from the date of issue with a total principal amount of RMB1,100,000,000 at a fixed interest rate of 2.55% per annum.
- (ii) On 18 February 2022, the Company has completed the issue of the second tranche of the super short-term notes in 2022 with a term of 90 days from the date of issue with a total principal amount of RMB1,050,000,000 at a fixed interest rate of 2.28% per annum.
- (iii) On 28 February 2022, the Company has completed the issue of the third tranche of the super short-term notes in 2022 with a term of 179 days from the date of issue with a total principal amount of RMB800,000,000 at a fixed interest rate of 2.27% per annum.
- (iv) On 7 March 2022, the Company has completed the issue of the fourth tranche of the super short-term notes in 2022 with a term of 150 days from the date of issue with a total principal amount of RMB1,000,000,000 at a fixed interest rate of 2.19% per annum.

On 10 February 2022, Port Logistics, a subsidiary of the Group, and Box Technology (Shenzhen) Co., Ltd. ("Box Technology") entered into a framework agreement, whereby Port Logistics and Box Technology will jointly invest in establishing Fujian Ganglianjie Logistics Technology Co., Ltd. ("Ganglianjie"), of which, the capital of RMB5,100,000 will be injected by Port Logistics. Upon the completion of the transaction, (i) Port Logistics will effectively hold 51% effective equity interests in Ganglianjie, and (ii) Box Technology will hold 49% effective equity interests in Ganglianjie.

On 21 February 2022, the Company has completed the issue of the first tranche of the medium-term notes in 2022 with a term of 3 years from the date of issue with a total principal amount of RMB1,200,000,000 at a fixed interest rate of 3.00% per annum. RMB680,000,000 of the net proceeds from the issue of the first tranche of the medium-term notes in 2022 were used for repaying the sixth tranche super short-term notes in 2021 and the seventh tranche super short-term notes in 2021 issued by the Company and were due, the remaining RMB520,000,000 were used for supplementing the working capital of the Group.

FUTURE PROSPECTS

2022 is an important year of the “14th Five-Year Plan” forming a connecting link between the preceding and the following. Looking forward to 2022, the global economic growth will slow significantly as new threats posed by the variants of COVID-19 as well as rising inflation, debt and income inequality that could jeopardize the recovery. From an international perspective, according to the forecast by the International Monetary Fund in January 2022, the global economic growth in 2022 is expected to be approximately 4.4%; the world economic situation is still complex and severe, and the development of Chinese foreign trade faces more various unstable, uncertain and imbalanced factors. On the other hand, the Regional Comprehensive Economic Partnership Agreement (“RCEP”) was formally effective on 1 January 2022 and the free-trade zone with the largest population, the largest economic and trade scale and the most potential for development in the world is officially launched, which will make significant contributions to the growth of regional and global trade and investment and the economic recovery and prosperity development. From a domestic perspective, even though the economic development faces the triple pressure of demand contraction, supply shock and expected weakening of economic growth, the fundamentals of China’s strong economic resilience and long-term improvement have not changed. The Chinese government will adhere to the general principle of making progress while maintaining stability, implement new development ideas, accelerate the construction of a new development pattern, comprehensively deepen reform and opening up, adhere to innovation-driven development, adhere to supply-side structural reforms as the main line, continue to implement proactive fiscal policies and sound monetary policies, coordinate and promote the Epidemic prevention and control and the economic and social development, focus on stabilizing the macroeconomic market, and keep the economy operating within a reasonable range. Based on various circumstances, the Chinese government predicts that the growth rate of China’s national economy will be approximately 5.5% in 2022; while the Fujian Provincial Government anticipates that its growth rate of national economy will be approximately 6.5%, and the Xiamen City Government anticipates that its growth rate of national economy will be approximately 7.5% with its national economy striving to achieve sustained and stable development, which is laying a foundation for promoting the development of Xiamen port and its port business. In addition, the shortage of capacity in the global shipping market, the congestion of ports, and the sluggish international supply chain are still ongoing, and the capacity of the container shipping market in China’s domestic trade is insufficient, which will continue to have a continuous impact on the development of the Group’s certain businesses at the terminals in Xiamen port.

Management Discussion and Analysis

Based on the above forecast on economic and trade situations in 2022, the Company anticipates that the overall port business development in 2022 will be rather complicated. Consequently, in 2022, the Company will closely focus on its core port business, pay attention to improving the port business volume and economic benefits, taking a proactive approach and seek progress while maintaining stability, coordinate the Epidemic prevention and control and the port development, and make efforts to push the Group forward to maintain its steady and high-quality development. The Group plans to conduct the following measures in 2022:

- To coordinate the Epidemic prevention and control and port production. On the one hand, the Company will strengthen strict management on the Epidemic prevention and control and safety production. The Company will implement the main responsibility for Epidemic prevention and control, enhance the joint prevention and control mechanism, strictly implement the requirements of “Forestalling and Stopping Inbound and Intra-city Transmissions, and Domestic Resurgence of Cases, and Implementing Prevention Measures Both on Persons and Goods”, reinforce the management of key operational links such as “Ship-Shore” interface management and cold chain transportation, and maintain the port’s Epidemic defense line; implement “Three-Year Action Plan for Special Rectification of Safety Production”, promote the construction of “Safety Production Standardization”, perfect the intelligent safety management platform, and enhance the efficiency of safety management. On the other hand, the Company will deepen the overall marketing and strengthen our principal port businesses. Firstly, the Company will strengthen overall marketing and headquarters marketing, promote customer classification management, implement the business strategy of “One Policy for One Enterprise, Precise Promotion”, and promote the container business and comprehensive port logistic services and other related businesses to become bigger and stronger. Secondly, the Company will strengthen the strategic port-shipping cooperation, deepen the strategy of “Container Shipping Home Port”, promote the strategic layout of shipping companies in Xiamen port, expand the global shipping routes network, enhance Xiamen’s position as a container trunk hub port, and jointly build an international container transit hub port. Thirdly, the Company will grasp the opportunity of the formal entering into force of RCEP, actively develop new business markets, and seek new incremental businesses.

Management Discussion and Analysis

- To deeply implement the hinterland strategy and enhance our port radiation. The Company will continue to promote the business development strategy of “Implementing Two-way Sea and Land Transportation and Attracting Traffic with Goods”, strengthen strategic cooperation with major cargo owners and major logistics providers, actively leverage the functions of branch ports, land-based port networks and supporting cargo collection systems, expand the logistics network and channels in the hinterland, and strengthen the development of innovative businesses such as key customer business, special cargo business, “Blue Highway”, sea-rail joint transportation business, and land-based port business, focus on expanding the key hinterland supply markets such as southern Jiangxi and eastern Guangdong, guide the backflow of goods sources inside and outside the province, and assist the construction of Xiamen’s port-based national logistics hub and international shipping center.
- To enhance the comprehensive service level of the port. Firstly, the Company will enhance service capabilities. The Company will make full use of the opening opportunity of Haitong Terminal, optimize domestic and foreign trade container operation resources in Haicang port area, and enhance berthing operation capacity; seize the opening opportunity of Huajin Terminal and Chaozhou Terminal, accelerate the construction of new warehouses in Xiamen Xiangyu Comprehensive Bonded Zone and Hailong Terminal, and speed up the release of new production capacity, and continuously meet various business development needs. Secondly, the Company will enhance service quality. The Company will implement the strategy of “Service Makes Port Stronger”, promote the optimization of the port customs clearance business environment, and enhance the level of trade facilitation; strengthen the rational allocation of berthing operations on global routes, deepen the transit service guarantee system, strengthen the service guarantee for ships/cargoes from RCEP national Silk Road Shipping routes, promote innovative operation modes such as sea bus, direct unloading-pickup, export direct loading, etc.; enhance the synergy between the port terminal and the comprehensive port logistics business, and promote the function optimization of Haicang port area, the integrated operation of containers, and the overall utilization of port resources inside and outside the island, and further integrate production and operation resources and continuously enhance operational efficiency.
- To strengthen capital operation and promote resource integration. The Company will promote the implementation of the non-public issuance of A shares by Xiamen Port Development as soon as possible, and accelerate the fundraising to promote the investment and construction of berths No. 1 and No. 2 in the north of Zhangzhou Gulei port area, and the purchase of tugboats and other main business items; promote the follow-up work of the integration of bulk cargo terminal resources, coordinate and integrate the logistics resources and business capabilities of member enterprises, promote the synergy of upstream and downstream businesses and the merger and integration of homogeneous businesses, and build a large logistics platform relying on ports.

Management Discussion and Analysis

- To promote refined management and strengthen corporate reform. Firstly, the Company will promote the broadening sources of income and the reducing costs and improving efficiency, strengthen budget execution, cost management and capital management, and strictly control costs and expenditures and off-budget expenditures. Secondly, the Company will further promote the reform of state-owned enterprises (SOEs), actively implement the “Double Hundred Action Plan” and the “Three-Year Action Plan for SOE Reform”, continue to promote the reform of the tenure system and contractualization of enterprise operators, and carry out mixed ownership reform in due course. Thirdly, the Company will strengthen corporate governance, strengthen the construction of internal control systems and audit supervision, strengthen the compliance management of listed companies, and promote the governance of enterprises according to law. Fourthly, the Company will give full play to the advantages of the capital center, make overall planning for various financing work, and use the advantages of the listing platform to guarantee the capital needs of the listed group and enhance the overall capital utilization efficiency.
- To promote the construction of green and smart ports and promote the development of green innovation. The Company will deepen the upgrade and application of the container smart logistics platform, continue to optimize and upgrade the fully intelligent transformation project of Hairun Terminal, speed up the development and launch of the TOS system, and intensify efforts to promote the integration and extension of smart terminals, smart ports and smart commerce; implement the national policy of “Carbon Peaking and Carbon Neutrality”, comprehensively promote the electrification of equipment, deepen the application of new energy, energy conservation and environmental protection new technologies, and focus on promoting the energy-saving projects such as shore power for vessels, photovoltaic construction, using electricity or gas instead of fossil fuel, 110KV substation for cruises, strengthen energy-saving emission reduction and pollution prevention and control work, and promote green recycling and low-carbon development.
- Pursuant to the Options and Rights of First Refusal Agreement (《選擇權與優先權協議》) and Non-Competition Agreement (《非競爭協議》) entered into between the Company and Xiamen Port Holding and the Commitment Letter on Avoiding Horizontal Competition (《關於避免同業競爭的承諾函》) issued by Fujian Port Group to the Company, the Company will actively follow up on the relevant terminals assets and the progress of the terminal construction works and other relevant port businesses of Fujian Port Group and Xiamen Port Holding, so as to facilitate the Board and the shareholders to convene meetings to make appropriate decisions based on the management and operational circumstances in a timely manner.

Corporate Governance Report

The Company continues to pursue excellence and enhance high standards of corporate governance practices. The Board fully understands and acknowledges the importance of corporate governance and believes that implementation of good corporate governance can strengthen the transparency of the Company's business, which is accountable to shareholders and be in the interest of the shareholders as a whole, and enables the Company to achieve the ultimate success.

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

With reference to the Corporate Governance Code, this annual report elaborates on the corporate governance practices of the Company for the period from 1 January 2021 to 31 December 2021 (the "Reporting Period") and covers the information regarding the mandatory disclosure requirements and most of the recommended disclosures set out in Appendix 14 to the Listing Rules. Save as disclosed below, the Directors consider that the Company has complied with the relevant requirements of the applicable code provisions of the Corporate Governance Code for the year ended 31 December 2021. The Company's compliance with the Corporate Governance Code is detailed in the following sections.

THE BOARD

The Board is accountable to shareholders and operates on the principle of maximizing the profit of the Company, the corporate value and the return of shareholders. The Board fully represents the interests of shareholders and formulates the development strategies of the Company within the terms of reference under the Articles of Association of the Company (the "Articles"), and collectively facilitates continuous development of the Group through instructing and monitoring the Group's business.

DIRECTORS

During the Reporting Period, the sixth session of the Board comprised of 12 Directors, including four executive Directors, namely Mr. CAI Liquan, Mr. CHEN Zhaohui, Mr. LIN Fuguang and Mr. CHEN Zhen, four non-executive Directors, namely Mr. CHEN Zhiping, Mr. FU Chengjing, Mr. HUANG Zirong and Ms. BAI Xueqing, and four independent non-executive Directors, namely Mr. LIU Feng, Mr. LIN Pengjiu, Mr. JIN Tao and Mr. JI Wenyuan.

Corporate Governance Report

As at 31 December 2021, the sixth session of the Board comprised a total of 12 Directors, including four executive Directors, four non-executive Directors and four independent non-executive Directors, details of which are as follows:

Executive Directors	Gender	Ethnicity	Age	Term of Service
CAI Liqun (<i>Chairman</i>)	Male	Han	52	Appointed on 28 February 2020
CHEN Zhaohui	Male	Han	52	Appointed on 28 February 2020
LIN Fuguang	Male	Han	57	Appointed on 28 February 2020
CHEN Zhen	Male	Han	47	Appointed on 28 February 2020

Non-executive Directors	Gender	Ethnicity	Age	Term of Service
CHEN Zhiping	Male	Han	55	Appointed on 28 February 2020
FU Chengjing	Male	Han	59	Appointed on 28 February 2020
HUANG Zirong	Male	Han	58	Appointed on 28 February 2020
BAI Xueqing	Female	Han	57	Appointed on 28 February 2020

Independent Non-executive Directors	Gender	Ethnicity	Age	Term of Service
LIU Feng	Male	Han	55	Appointed on 28 February 2020
LIN Pengjiu	Male	Han	55	Appointed on 28 February 2020
JIN Tao	Male	Han	56	Appointed on 28 February 2020
JI Wenyuan	Male	Han	54	Appointed on 28 February 2020

On 16 February 2022, Mr. LIU Feng resigned from the positions of an independent non-executive Director, the Chairman and a member of the Audit Committee, and a member of the Remuneration Committee of the Company due to his personal work arrangements. The resignation of Mr. LIU Feng caused the Company temporarily not to be in compliance with the requirement set out under Rule 3.10(2) of the Listing Rules that at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise, as well as the requirement set out under Rule 3.10A of the Listing Rules that the Company must appoint the independent non-executive Directors representing at least one third of the Board. In order to comply with the abovementioned requirements under the Listing Rules, the Company has appointed Mr. LI Maoliang as an independent non-executive Director, the Chairman and a member of the Audit Committee, and a member of the Remuneration Committee on 15 March 2022, which is within three months from the effective date of the resignation of Mr. LIU Feng.

THE SUPERVISORY COMMITTEE

During the Reporting Period, the sixth session of the Supervisory Committee of the Company comprised six supervisors (the “Supervisors”), including two shareholders representative Supervisors, namely Mr. DU Hongjia and Mr. ZHANG Guixian, two staff representative Supervisors, namely Mr. LIAO Guosheng and Mr. LIU Xiaolong, and two independent Supervisors, namely Mr. TANG Jinmu and Mr. XIAO Zuoping.

As at 31 December 2021, the sixth session of the Supervisors committee of the Company is as follows:

Supervisors:

Mr. DU Hongjia (*Chairman of the Supervisory Committee*)

Mr. ZHANG Guixian

Mr. LIAO Guosheng

Mr. LIU Xiaolong

Mr. TANG Jinmu

Mr. XIAO Zuoping

The biographical details of the above Directors and Supervisors are set out on pages 69 to 82 of this annual report and published on the Company’s website at <http://www.xipc.com.cn>.

The structure, size and composition of the executive Directors, non-executive Directors and independent non-executive Directors of the Board are well-balanced and appropriate. All members of the Board respectively possess professional knowledge and experience required for performing their duties in port terminal operation, corporate management, finance, laws, investment, financing and other relevant fields, perform duties honestly, faithfully and diligently, and are capable of making independent judgments to enable the Board to make cautious and prudent decisions.

During the year ended 31 December 2021, the Company has complied with the relevant requirements of Rule 3.10 and Rule 3.10A of the Listing Rules by appointing at least three independent non-executive Directors and at least one of the independent non-executive Directors is having appropriate professional qualifications or professional knowledge in accounting or relevant financial management, and the number of independent non-executive Directors appointed (i.e. four) at all times during the Reporting Period was accounted for at least one-third of the members of the Board of the Company (which is 12 in total).

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

Corporate Governance Report

RESPONSIBILITY OF THE BOARD

The Board is responsible for the management of the Group's business and affairs, aiming at enhancing the value of the Company's shares. The Board is also responsible for formulating the Company's corporate governance policy and discharging the corporate governance responsibilities and is required to ensure proper compliance with applicable laws and regulations, to conduct balanced, lucid and easy-to-understand assessments on the performance, conditions and prospects of the Company as set out in the annual report and the interim report, to publish inside information and other financial disclosure as and when required by the Listing Rules, and to report any discloseable information to the regulatory authorities in accordance with the statutory requirements.

The Board has fiduciary and statutory obligations owed to the Company and the Group. Under the leadership of the Chairman of the Company and pursuant to the requirements of the Articles, the Board collectively exercises a number of powers, including:

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

Corporate Governance Report

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

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

As at 31 December 2021, the senior management of the Company included Mr. CHEN Zhaohui (General Manager), Mr. CHEN Zhen (Deputy General Manager and chief financial officer), Mr. WU Yansong (Deputy General Manager) and Mr. CAI Changzhen (Company Secretary).

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

Corporate Governance Report

Each of the Directors (including all non-executive Directors) and the Supervisors has entered into a service contract with the Company for a term of not more than three years, and each new member of the Board and the Supervisory Committee has also entered into a service contract with the Company for a term of not more than three years after his or her respective appointment. Other than that, none of the Directors and the Supervisors has any personal beneficial interest, direct or indirect, in the material contracts entered into by the Company or any of its subsidiaries during the year of 2021, or has entered into with the Company any service contract which shall be not terminable within one year without payment of compensation (other than statutory compensation) by the Company.

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

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

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

BOARD MEETINGS

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

The Board has held regular meetings in accordance with the requirements of the Rules of Procedures for the Board of Directors of the Company and code provision C.5.1 of the Corporate Governance Code. In accordance with the requirements of the Articles, the Board shall convene at least four meetings every year and the Board meetings shall be convened by the Chairman. In order to facilitate maximum attendance of the Directors, notice (including the relevant agendas) of each Board meeting were dispatched to all Directors at least 14 days prior to each such meeting during the year of 2021. In respect of the extraordinary Board meetings, notices as to the time, venue, subject matters and meeting method to be applied shall be given to all the Directors at least ten days before the meeting.

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

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

Corporate Governance Report

During the year of 2021, the sixth session of the Board has held thirteen meetings. The attendance record of each Director is set out below:

Members of the Board	Number of the Board Meetings Attended in Person/by Proxy	Attendance Rate
<i>Executive Directors</i>		
CAI Liqun	12/1 ^a	100%
CHEN Zhaohui	13/0	100%
LIN Fuguang	13/0	100%
CHEN Zhen	13/0	100%
<i>Non-executive Directors</i>		
CHEN Zhiping	13/0	100%
FU Chengjing	13/0	100%
HUANG Zirong	13/0	100%
BAI Xueqing	13/0	100%
<i>Independent non-executive Directors</i>		
LIU Feng	13/0	100%
LIN Pengjiu	13/0	100%
JIN Tao	13/0	100%
JI Wenyuan	13/0	100%

Notes:

- a Mr. CAI Liqun was present in person in twelve of the thirteen Board meetings, and the remaining one Board meeting was attended and voted on his behalf by an authorized Director during his business trip away from Xiamen.

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

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

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

Names of Directors	Training Contents
<i>Executive Directors</i>	
CAI Liqun	A, B, C
CHEN Zhaohui	A, B, C
LIN Fuguang	A, B, C
CHEN Zhen	A, B, C
<i>Non-executive Directors</i>	
CHEN Zhiping	A, B, C
FU Chengjing	A, B, C
HUANG Zirong	A, B, C
BAI Xueqing	A, B, C
<i>Independent non-executive Directors</i>	
LIU Feng	A, B, C
LIN Pengjiu	A, B, C
JIN Tao	A, B, C
JI Wenyuan	A, B, C

Notes:

- A: Thematic trainings or studies on topics such as corporate governance of listed companies, directors' duties, connected transaction and internal risk management, etc.;
- B: Thematic training or studies on topics such as economics, finance, corporate management and law, etc.;
- C: Attending seminars, forums and conferences on topics related to corporate governance, directors' duties, connected transaction, internal risk management as well as economics, finance, corporate management and law, etc.

Corporate Governance Report

COMMITTEES ESTABLISHED UNDER THE BOARD

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

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

NOMINATION COMMITTEE

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

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

In accordance with Rule 13.92 of the Listing Rules, the Company has prepared its policy on Board diversity, which is effective after considered and approved at the meeting of the Board, such policy has been further clarified and implemented by the relevant provisions of the Company's Rules of Procedures for the Board of Directors and Rules of Procedure for the Nomination Committee. To achieve Board diversity, when formulating the composition of the Board, the Company will consider the diversity of the members of the Board in various aspects, including, but not limited to, gender, age, cultural and educational background, ethnicity, professional competence, industry experience, skills, knowledge and term of service. All the appointments of the members of the Board are made on the basis of meritocracy, fully taking into

Corporate Governance Report

account the benefits of the diversity of the members of the Board based on the objective conditions when considering the candidates and eventually determine the appointment based on the relevant expertise, contributions that he/she can bring to the Board and the Company and the balance of the composition of the Board. Such policy has been published on the Company's website at www.xipc.com.cn.

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

During the Reporting Period, the Nomination Committee has held one meeting, mainly for conducting the following businesses: reviewing the structure of the Board and assessing the independence of the independent non-executive Directors.

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

Members of the Nomination Committee	Number of the Committee Meeting Attended in	Attendance Rate
	Person/by Proxy	
CAI Liqun	1/0	100%
LIN Pengjiu	1/0	100%
JIN Tao	1/0	100%

NOMINATION OF DIRECTORS

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

All intended candidates for directorship of the Company shall be first considered by the Nomination Committee and, if suitable, recommended to the Board for consideration and approval, prior to the submission by the Board to the general meetings for consideration and approval. While considering candidates for directorship proposed for new appointment or nominated for re-election, the Nomination Committee

Corporate Governance Report

will conduct an assessment on the candidates for directorship before making any recommendation to the Board. The underlying principles of the Nomination Committee in nominating, and of the Board in assessing, candidates for directorship (including the incumbent Directors seeking for re-election) are:

- the relevant candidate's knowledge, background, ability, industry experience and qualifications and his/her integrity, independent thinking and capability to contribute time and effort to effectively discharge the duties concerned;
- whether there is compliance with the provisions of the Rules of Procedures for the Board of Directors in respect of qualifications and conditions for directorship;
- whether there is compliance with the provisions of the Articles in respect of qualifications and conditions for directorship;
- whether there is compliance with the relevant requirements or provisions under the PRC laws in respect of Directors' taking office of overseas-listed companies; and
- whether there is compliance with the relevant requirements or provisions under the Listing Rules in respect of Directors' taking office.

AUDIT COMMITTEE

At the beginning of the Reporting Period, the sixth session of the Audit Committee of the Company comprised Mr. LIU Feng, an independent non-executive Director and Mr. FU Chengjing, a non-executive Director. The Audit Committee was chaired by Mr. LIU Feng.

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

Corporate Governance Report

On 16 February 2022, Mr. LIU Feng resigned from the positions of an independent non-executive Director, the Chairman and a member of the Audit Committee of the Company due to his personal work arrangements. The resignation of Mr. LIU Feng caused the Company temporarily not to be in compliance with the requirement set out under Rule 3.21 of the Listing Rules with regard to the composition of the Audit Committee, and the requirement that the Audit Committee should be chaired by an independent non-executive Director. In order to comply with the abovementioned requirements under the Listing Rules, the Company appointed Mr. LI Maoliang as an independent non-executive Director, the Chairman and a member of the Audit Committee on 15 March 2022, which is within three months from the effective date of the resignation of Mr. LIU Feng.

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

During the Reporting Period, the Company's Audit Committee has held a total of three meetings, mainly for conducting the following businesses: reviewing the accounting principles and practices adopted by the Group, financial reporting, internal control and risk management and other material matters; reviewing the Group's annual report on annual results for the year ended 31 December 2020 and the environmental, social and governance report as well as the Group's interim report on interim results for the six months ended 30 June 2021; reviewing the audited results presented by the auditors and discussing with the external auditors in respect of any important findings and auditing matters; reviewing the non-exempted continuing connected transactions of the Group; considering the re-appointment of external auditors and fixing its remuneration and making recommendations to the Board for approval; and discussing and approving the action plan for the internal audit of the Group in 2021.

Corporate Governance Report

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

Members of the Audit Committee	Number of Committee Meetings Attended in	
	Person/by Proxy	Attendance Rate
LIU Feng	3/0	100%
FU Chengjing	3/0	100%
LIN Pengjiu	3/0	100%

REMUNERATION COMMITTEE

At the beginning of the Reporting Period, the sixth session of the Remuneration Committee of the Company comprised Mr. LIU Feng, one independent non-executive Director.

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

Corporate Governance Report

On 16 February 2022, Mr. LIU Feng resigned from the positions of an independent non-executive Director, and a member of the Remuneration Committee of the Company due to his personal work arrangements. The resignation of Mr. LIU Feng caused the Company temporarily not to be in compliance with the requirement set out under Rule 3.25 of the Listing Rules with regard to the composition of the remuneration committee. In order to comply with the abovementioned requirements under the Listing Rules, the Company appointed Mr. LI Maoliang as an independent non-executive Director and a member of the Remuneration Committee on 15 March 2022, which is within three months from the effective date of the resignation of Mr. LIU Feng.

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

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

During the year of 2021, the sixth session of the Remuneration Committee has held one meeting. The attendance records of each member are set out below:

Members of the Remuneration Committee	Number of Committee Meeting Attended in Person/by Proxy	Attendance Rate
JIN Tao	1/0	100%
LIU Feng	1/0	100%
FU Chengjing	1/0	100%

Corporate Governance Report

REMUNERATION POLICY FOR DIRECTORS

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

As the Company's customary practice, the Remuneration Committee submits the remuneration plan to the Board for initial consideration. Such plan will then be submitted to the general meeting for further consideration and approval after it has been approved by the Board. The emoluments paid to each Director by the Company for the year ended 31 December 2021 are set out in Note 28 to the financial statements.

BUSINESS STRATEGY COMMITTEE

During the Reporting Period, the sixth session of the Business Strategy Committee of the Company comprised five Directors, namely, Mr. JIN Tao, an independent non-executive Director, Mr. CAI Liquan and Mr. CHEN Zhaohui, the executive Directors, and Mr. CHEN Zhiping and Ms. BAI Xueqing, the non-executive Directors.

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

During the Reporting Period, the Business Strategy Committee of the Company has held one meeting to discuss and review such matters related to the Company's business operation schedule for 2021. During the Reporting Period, a majority of the members of the Business Strategy Committee were also involved in the evaluation of the Company's major investments and financing exercises, major capital and asset management issues and other business opportunities that might have an impact on the future development of the Group's business.

Corporate Governance Report

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

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

CORPORATE GOVERNANCE COMMITTEE

During the Reporting Period, the third session of the Corporate Governance Committee of the Company comprised Mr. LIN Pengjiu and Mr. JI Wenyuan, two independent non-executive Directors, and CHEN Zhen, one executive Director. The Corporate Governance Committee was chaired by Mr. LIN Pengjiu.

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

During the Reporting Period, the Corporate Governance Committee of the Company has held two meetings, mainly for conducting the following businesses: discussing and reviewing the corporate governance report for the year ended 31 December 2020 of the Company, which sets out the Company's policies and practices on corporate governance and includes mandatory disclosure requirements and most of the recommended disclosures under the Appendix 14 to the Listing Rules, reviewing the environmental, social and governance report of the Group for the year ended 31 December 2020.

Corporate Governance Report

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

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

COMPANY SECRETARY

As at 31 December 2021, Mr. CAI Changzhen was the Company Secretary, who was also acted as the primary contact person at the Company. During the Reporting Period, Mr. CAI Changzhen has received not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

EXTERNAL AUDITORS

PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers were re-appointed as the PRC and international auditors of the Company respectively at the 2020 annual general meeting held on 11 June 2021, for a term until the expiration of the forthcoming annual general meeting.

During the Reporting Period, the total remuneration paid and payable to the external auditors by the Group amounted to RMB3,155,000 (of which, the remuneration payable by the Company was RMB1,605,000), exclusively for annual audit services; In addition, the Group also paid RMB1,220,000 to PricewaterhouseCoopers for the auditor's fee in respect of several equity transactions, and RMB75,000 to PricewaterhouseCoopers Zhong Tian LLP for the auditor's fee in respect of the agreed procedures performed on the return on equity computation of a subsidiary of the Group. Except for the above, the Group did not pay any other fees for non-audit services to the external auditors.

INTERNAL CONTROL AND RISK MANAGEMENT

The maintenance of a high standard of internal control environment has been and remains as a top priority of the Group. The Board assumes the ultimate responsibility for the effectiveness of the Group's internal control and the risk management control system, which is designed to manage and minimise risks of failure in operational systems, and to provide reasonable but not absolute assurance that material misstatement or loss can be avoided. During the year of 2021, the Audit Committee of the Company has assisted the Board in conducting review on the effectiveness and the adequacy of the internal control and risk management control system twice, i.e., the effectiveness review for the year of 2020 was conducted in March 2021, and the effectiveness review for the first half year of 2021 was conducted in August 2021, the audit scope of which covers all material aspects of the control system, including the financial, operational, compliance monitoring and risk management functions, etc. The Audit Committee has examined the relevant review report and discussed with the external auditor regarding the relevant issues and recommendations, and then will report the relevant situation to the Board. The Board is satisfied with the existing internal control and risk management control system of the Group and is of the view that the control system is adequate and effective in all material areas, and also complies with the code provisions on risk management and internal control set out in the Corporate Governance Code. No significant control deficiency and major concerns which may affect the interest of the shareholders has been identified during the Reporting Period, and the Board will continue to improve the risk management and internal control system to facilitate our corporate governance.

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

(1) Financial control

During the Reporting Period, the Group strictly complied with the relevant laws and regulations as well as every financial management system of the Company such as the "Provisions of Asset and Property Supervision and Management", the "Trial Methods for Financial Reports and Financial Analysis", the "Trial Methods for Tax Planning Management", the "Method for Fund Management", the "Method for Fixed Asset and Construction in Progress Management", the "Method for Intangible Asset Management", the "Measures for the Management of Raised Funds", the "Implementing Rules for Financial Risk Management", the "Method for Tax Payment Management", the "Implementing Rules for the Treatment of the Responsible Persons of Enterprise to Perform Their Duties and the Management of Operational Expenditure", "Regulations for Expense Imbursement Management", "Credit Investment Management

Corporate Governance Report

System (Trial)", the "Administrative Measures for the Prevention and Control of Bond Issuance Risks", "Fund-sharing Services Management Practices" and the "Method for Refinancing Securities Lending Business Management", revised or newly issued and implemented certain financial management systems, such as the "Financial Management System", the "Comprehensive Budget Management System", the "Detailed Implementation Rules for Comprehensive Budget Management" etc., so as to continuously regulate the financial management system of the Company, strictly implement the limits for examining and approving authority and proceedings thereof on the financial revenues and expenditures, and strengthen the financial management. The Group also continues to improve its management accounting system, in order to provide its management with an objective indicator to measure the financial and operational performance and provide relevant financial information for reporting and disclosure purpose. Variances against actual performances and targets are prepared, analyzed and explained and appropriate actions are also taken to rectify the identified deficiencies, if necessary. This enables the management of the Group to monitor business operations closely and also enables the Board to formulate and, if necessary, revise strategic plan timely and prudently. The Group highly values and requires the integrity of the account and finance personnel, as well as their qualification, and continuous training resources and its budgets have been adequately considered.

The Audit Committee of the Company shall act in accordance with the responsibilities and procedures stipulated in the "Rules of Procedures for the Audit Committee", be responsible for assisting the Board in reviewing and monitoring the financial reports independently, and procure to make itself satisfied with the effectiveness of the Group's risk management and internal control as well as the adequacy of the internal and external auditing. In 2021, the Audit Committee has made recommendations to the Board in respect of the matters relating to the Group's audited accounts for the year ended 31 December 2020, internal and external audit findings, accounting principles and practices adopted by the Group, re-appointment of external auditors and fixing of audit fees, and the interim results for the six months ended 30 June 2021.

The Company attaches great importance on the internal audit functions and strictly implements the "Internal Audit System" and the "Economic Responsibility Audit Implementation Measures" during the Reporting Period. The internal audit includes the examination of all activities of the Group and conducting a comprehensive review of all practices and procedures without any restrictions, and hence assists the management and the Audit Committee in maintaining an effective risk management and internal control system within the Group. The audit department, as an internal audit function of the Company, is accountable to the Board, and the Audit Committee is responsible for its management and the performance appraisal. The Audit Committee may make recommendations in respect of the appointment and removal of the employees of the audit department (including the head of the department), and its relevant members shall examine and audit the relevant documents before

they are issued in accordance with certain prescribed procedures. As the supervisor of internal audit function, the head of the audit department can contact the Audit Committee without any restrictions, attend the meetings of the Audit Committee and report the matters revealed during the internal audit process to the Audit Committee. The management and reporting structure above enable the independence and effectiveness of the internal audit of the Company. The annual internal audit plan of the Company was reviewed and approved by the Audit Committee. According to the 2021 Internal Audit Plan considered and agreed by the Audit Committee, the Company conducted special audits on items such as the operation management of the relevant entities under the Company, overseas investment, material procurement and the economic responsibilities of the leaders of relevant enterprises during their positions or leaving their positions, etc. The Company also reviewed the business risk and internal control inspection, and made corresponding recommendations for improvement on the relevant business risk management and internal control construction.

(2) Operational control

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

The Group continues to promote computerized management of its business process, and certain major business operations are controlled and monitored by computer systems, such as the operations of its container loading and unloading business, shipping agency and tallying. The Group has built and commenced using the Xiamen Container Intelligent Logistics Platform, and its terminals have installed and utilized the Xiamen Port Container Business Management Platform, sped up the intelligent transformation of the container terminals and the automation of yards, and promoted the electronization of the equipment interchange receipt of containers and the paperless lading bills throughout the whole process, so the production manager at all levels can completely and directly master the basic information of real-time development of ship and terminal operation, so as to improve the production efficiency and monitoring level of terminals. In order to ensure the stability and reliability of the computer systems, the operating systems are operated by trained professionals, checked regularly and upgraded where necessary. All the data are backed up in a timely manner,

Corporate Governance Report

and contingency plans are drawn up for emergencies to ensure safety. During the Reporting Period, the Company strictly implemented the management systems, such as the “Computer Information Technology Management System”, the “Network Management Measures”, the “Information System Management Measures”, the “Regulations on Management of Network and Information Security Personnel” and the “Network Information Security Emergency Response Plan”, etc., to promote informatization construction with standards.

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

(3) Compliance Control

Subject to the applicable laws and regulations of the Company Law, “Civil Code of the PRC”, “Trademark Law of the PRC”, “Port Law of the PRC” and “Maritime Law of the PRC”, the Group has continuously regulated and improved its internal management system with regard to the management of its business transactions with outsiders. Business transactions with external parties and issues in respect of the intellectual property rights are handled prudently in accordance with the required procedures set out in the “Measures for the Administration of Contracts” of the Company. The Company’s proprietary trademark has also been registered with the Trademark Office of the State Administration for Industry & Commerce, and the Group continued following up to complete the extension of trademark, so as to ensure its continuous effectiveness. The Company’s legal professionals and the Company Secretary will participate in handling the relevant legal documents of the Company,

Corporate Governance Report

offer advice on the legality and compliance of its major operation decisions, and work in conjunction with the respective departments in respect of the specific projects. The Company Secretary will make arrangements to consult legal advisers, when necessary, for opinions on specific legal matters to promote the management of enterprises pursuant to laws.

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

The Group emphasizes the internal control of certain major issues, such as connected transactions and has also promulgated and implemented the “Management System for Connected Transactions”, established and improved its control system and procedures for connected transactions in accordance with the requirements under the Listing Rules. The enterprises under the Group designate the dedicated personnel to calculate and aggregate the information regarding the connected transactions on a regular basis, and timely update the name list of connected parties (not a complete list). The negotiation and execution of contracts relating to connected transactions shall be reviewed carefully by the appropriate management to ensure that the transactions comply with the pricing policies of the Group. The contracts shall be submitted to the Board or the general meeting pursuant to procedures for review and approval and then disclosed to the public in a timely manner, so as to ensure that

Corporate Governance Report

such connected transactions, as well as their decision making process and information disclosure comply with the relevant rules and regulations. During the Reporting Period, the Company adjusted the maximum transaction amount of the relevant connected transactions for the year ending 2021 in a timely manner based on the business development, timely disclosed one-off connected transactions in relation to equity transfer, etc., and approved the renewal of the existing continuing connected transactions for a term of three years expiring on 31 December 2024 by Board meeting and general meeting respectively in accordance with procedures.

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

(4) Risk Management

Since its establishment, the Group has formulated various risk control regulations, including the "Provisions of Asset and Property Supervision and Management", the "Information System Management Method", the "Internal Audit System", the "Economic Responsibility Audit Implementation Measures", the "Accountability Measures for Illegal Operation and Investment Responsibility (Trial)", the "Measures for the Administration of Internal Control", the "Implementing Rules on Internal Control Assessment" and the "Management System Governing Information Disclosures of Debt Financing Instrument of Non-financial Institutions", the "Internal Control System for Off-line New Shares Subscription Business" and the "Goods and Services Procurement Management System", the "Implementing Rules for Financial Risk Management", the "Administrative Measures for the Prevention and Control of Bond Issuance Risks" and the "Seals Management System". The Group has also amended or implemented the "Strategic Planning Management System", the "Investment Management System", the "Asset Tenancy Management Measures", the "Equipment Management System", the "Facility Management System", "Project Construction Management Measures", the "Energy Management System", the "Equipment Bidding and Purchase Management Measures" and the "Management Measures for the Performance Appraisal and Remuneration of Operation and Management Members". Besides, the Group established the legal affairs reporting system of the Group and strengthened the monitoring of major contracts, connected transactions and other legal affairs by implementing the "Management System for Legal Affairs", the "Legal Dispute Management Measures" and the "Measures for the Administration of Contracts" as well as the related specific measures, for the purpose to enhance the risk management of and control over the various projects including the operation, management and disposal of assets,

Corporate Governance Report

major agreements, information system security, equipment procurement, off-line new share subscription, material procurement, equipment bidding and purchase, the inward/external investment and financing projects, so as to improve the comprehensive risk management system and enhance the risk prevention capability of the Group. In accordance with the provisions as set out in the Corporate Governance Code, the terms of reference of the Audit Committee under the Board has covered the related content of the risk management, and published such terms of reference as set out in its rules of procedures on the Company's website and the website of the Stock Exchange.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors declared that they are responsible for the preparation of the financial statements for each financial year which gives a true and fair view of the results and financial conditions of the Company and the Group. The Directors considered that, in preparing the financial statements for the year ended 31 December 2021, the Group has adopted appropriate accounting policies, applied them consistently and complied with all relevant accounting standards. Having made appropriate enquiries, and judgments and estimates that are prudent and reasonable, the Directors also considered that it is appropriate to prepare the financial statements on a going concern basis.

Corporate Governance Report

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

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

The auditor's statement of responsibility report on the financial statements is set out on page 106 of this annual report.

SHAREHOLDERS' RIGHTS

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

In accordance with the requirements of the Listing Rules and the Articles, the Company has reviewed and approved the "Rules of Procedures for Shareholders' Meeting" of the Company to further clarify and improve the functions and powers of the shareholders' meeting, the convening of the shareholders' meeting and the discussion and voting procedures, etc.

The Company considers that the annual general meeting and extraordinary general meeting are appropriate forums at which shareholders can timely communicate with the Board and senior management, and all the shareholders will be given notice of the meeting 20 clear business days before the convocation of an annual general meeting, or ten clear business days or 15 days (whichever is longer) before the convocation of an extraordinary general meeting, and they are encouraged to attend the annual general meeting or other extraordinary general meetings. The Company complies with the code provisions as stipulated in the Corporate Governance Code whose principle is to encourage shareholders' participation and encourages and welcomes shareholders to raise their questions at the above meetings. The Company Secretary, on behalf of the chairman of the general meetings, explains the detailed procedures for conducting a poll at the commencement of general meetings. In order to ensure that shareholders can express their intentions freely at general meetings, the rights of shareholders, and the rights, notices, procedures and voting pertinent to general meetings are clearly and adequately provided for in Chapters 7 and 8 of the Articles respectively.

Corporate Governance Report

The Board is committed to maintaining communication with shareholders, and all Directors and senior management will try their best to attend those meetings, while the chairmen of the Board, the Nomination Committee, the Audit Committee, the Remuneration Committee, the Business Strategy Committee and the Corporate Governance Committee as well as the Company's auditors will try their best to attend the annual general meeting to answer shareholders' questions. In 2021, the Company convened three general meetings in total, namely the first extraordinary general meeting in 2021 on 3 December 2021, the second extraordinary general meeting in 2021 on 31 December 2021 and the 2020 annual general meeting on 11 June 2021.

The attendance records of each Director of the sixth session of the Board of the Company at the general meetings in 2021 are set out below:

Members of the Board	Number of the General Meetings Attended	Attendance Rate
<i>Executive Directors</i>		
CAI Liqun (<i>Chairman of the Nomination Committee</i>)	3	100%
CHEN Zhaohui	3	100%
LIN Fuguang	3	100%
CHEN Zhen	3	100%
<i>Non-executive Directors</i>		
CHEN Zhiping	3	100%
FU Chengjing	3	100%
HUANG Zirong	3	100%
BAI Xueqing	3	100%
<i>Independent Non-executive Directors</i>		
LIU Feng (<i>Chairman of the Audit Committee</i>)	3	100%
LIN Pengjiu (<i>Chairman of the Corporate Governance Committee</i>)	3	100%
JIN Tao (<i>Chairman of the Business Strategy Committee and the Remuneration Committee</i>)	3	100%
JI Wenyuan	3	100%

Corporate Governance Report

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

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

DIVIDEND POLICY

Details of the Company's dividend policy are set out in the Report of the Directors on page 84 of this annual report.

INVESTOR RELATIONSHIP

The Company places great emphasis on investor relationship and communication with investors, and also promulgated and implemented the "Investor Relationship Management System". The Company Secretary, who is responsible for the investor relationship of the Company as well as external information disclosure and communication, shall arrange or assist the relevant executive Directors and senior management to meet with institutional investors and analysts, enabling them to understand the latest developments of the Company and to make timely responses to any inquiries. Through different channels such as individual meetings, telephone conferences and the spot inspection at the terminals, the Company can maintain close communication with the investors, media, analysts and fund managers in order to enhance the investors' understanding on the relevant information relating to the Group's operating and financial performance.

Corporate Governance Report

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

CORPORATE SOCIAL RESPONSIBILITY

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

The Company is committed to the sustainable development of the environment and the society. In strict compliance with the "Law of Environmental Protection of the PRC", the "Law of the PRC on the Prevention and Control of Ambient Noise Pollution", the "Law of the PRC on the Prevention and Control of Water Pollution" and the "Law of the PRC on the Prevention and Control of Air Pollution". The Group also has promulgated and implemented the "Environmental Protection Management System (Trial)", actively carried out various works such as environmental protection and pollution prevention to ensure that each kind of pollutants is emitted strictly in accordance with the discharge standards and the requirements of laws and regulations, and is discharged in a proper manner. Also, in strict compliance with the applicable laws and regulations including the "Law of the PRC on Conserving Energy", the "Xiamen Energy Conservation Regulations", the "Water Law of the PRC" and the "Regulations on Urban Water Supply and Conservation of Xiamen City", the Group has also promulgated and implemented the "Energy Management System", actively promoted the enhancement of the use efficiency of resources, reduced the uses of fuel, water and electricity and other resources. In recognition of the potential climate impact due to the development and operation of port business, the Company strives to enhance the environmental performance of the development and management of its port business through eco-friendly engineering design, equipment configuration and

Corporate Governance Report

technological transformation as well as operational measures. The Company set corresponding indices each year to promote and enhance energy efficiency and reduce carbon emissions. In the year of 2021, the Group saved energy of 1,238 tonnes of coal equivalent throughout the year.

In accordance with the “Environmental, Social and Governance Reporting Guide” issued by the Stock Exchange, the Company has accordingly established the “Administrative System for Environmental, Social and Governance Report”. During the Reporting Period, the Company has published the Group’s 2020 environmental, social and governance report as required by the aforesaid guidelines, so as to promote the Company and its subsidiaries to actively fulfill their corporate social responsibility, coordinately consider the factors of all aspects, including human, society and environment, in the operation and management process, operate in accordance with the laws, be honest and trustworthy, resources saving and environmentally friendly, people-oriented with harmonious development, strive for the balanced development of economy, environment and society and promote the sustainable development of enterprises.

Details of the Company’s environmental and social responsibility performance for the year of 2021 will be separately disclosed before 31 May 2022 pursuant to the Listing Rules.

AMENDMENTS TO THE ARTICLES

No amendment has been made to the Articles during the Reporting Period.

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

By order of the Board

CAI Liqun

Chairman

Xiamen, the PRC

25 March 2022

Biographies of Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. CAI Liquan, aged 53, is an executive Director and the Chairman of the Company. He graduated in 1991 from Shanghai Maritime University (formerly known as Shanghai Shipping Institute) with a Master's degree in economics and is a Senior Economist. He was a planning coordinator of the planning office of Dongdu Port Services Company of Xiamen Harbour Bureau from July 1991 to October 1994 and was a deputy general manager of Xiamen Haijie Freight Company Limited from October 1994 to January 1998. He was the deputy director of the planning office of Dongdu Port Services Branch of Xiamen Port (Group) from January 1998 to October 1998. He was a deputy manager of Xiamen Port (Group) Domestic Shipping Agency Co., Ltd. from October 1998 to September 2001. He was a deputy general manager of Dongdu Port Services Branch of Xiamen Port (Group) from September 2001 to September 2004. He was a deputy general manager, then the general manager of Xiamen Port Development Co., Ltd. ("Xiamen Port Development") (a company listed on the Shenzhen Stock Exchange in the PRC) from September 2004 to November 2015. He also was the chairman of Xiamen Ocean Shipping Tally Co., Ltd. from March 2006 to December 2015. He also was the chairman of Xiamen Road and Bridge Building Materials Company from August 2006 to December 2015. He was the general manager of Dongdu Branch of Xiamen Port Development from January 2009 to January 2010. He was a director of Xiamen Port Development from May 2009 to 8 January 2021. He also was a director of Xiamen Port Trading Co., Ltd. from August 2010 to November 2015. He also was the chairman of Sanming Port Development Co., Ltd. from February 2011 to January 2016. He also was the chairman of Ji'an Port Development Co., Ltd. from June 2011 to December 2015. He also was an executive director of Xiamen Hailong Terminal Co., Ltd. from September 2012 to December 2015. He also was the chairman of Chaozhou Port Development Co., Ltd. from December 2012 to January 2016. He has also been a director of Xiamen Container Terminal Group Co., Ltd. since December 2013. He was a deputy general manager of Xiamen Port Holding Group Co., Ltd. ("Xiamen Port Holding") from September 2015 to December 2020. He has been an executive Director of the Company since 1 December 2015. He was a Vice Chairman of the Company from 1 December 2015 to 27 February 2017. He has been the Chairman of the Company since 28 February 2017. He has been a director and the general manager of Fujian Silk Road Shipping Operation Co., Ltd. since 19 December 2018. He has been a deputy party secretary, a director, the general manager and the legal representative of Xiamen Port Holding since November 2020.

Mr. CHEN Zhaohui, aged 53, is an executive Director and the general manager of the Company. He graduated in July 1990 from Wuhan Institute of Water Transport Engineering with a Bachelor's degree in engineering. He graduated from the School of Management of Xiamen University in December 2000 and obtained a Master's degree in business administration and is a Senior Engineer. He joined Xiamen Harbour Bureau in 1990 and was a technician and deputy leader of the gantry crane team of Dongdu operating area of Xiamen port from July 1990 to August 1992. He was the leader of mechanical team,

Biographies of Directors, Supervisors and Senior Management

deputy general manager and general manager of Xiamen Port Shihushan Terminal Company from August 1992 to March 2006, during which he attended the job training of “Advanced Course of the Terminal Management” (Magum) held by A.P. Moller Maersk Terminal from May 2004 to March 2006 and acted as the duty manager at the container terminal in Aqaba, Jordan and PIER 400 container terminal in Los Angeles, the United States respectively. He also acted as an executive director, legal representative and the general manager of Xiamen Port Power Supply Service Co., Ltd. from May 2003 to October 2006. He also acted as an executive director and legal representative of Xiamen Free Trade Zone Port Services Power Co., Ltd. (formerly Xiamen Port Power Supply Service Co., Ltd.) from August 2012 to September 2018. He was the deputy general manager, and then the general manager of Xiamen Songyu Container Terminal Co., Ltd. from March 2006 to November 2013. He was also the director of the Office of Safety Committee of Xiamen Port Holding from October 2012 to December 2013. He was a deputy general manager of the Company from 27 March 2012 to 27 February 2017, during this period he assumed the responsibilities of the general manager from 1 December 2015 onwards. He was also a director of Xiamen Container Terminal Group Co., Ltd. since December 2013, during this period he also acted as the chairman of Xiamen Container Terminal Group Co., Ltd. from December 2016 to July 2020. He has been the chairman of the supervisory committee of Xiamen Port Development from January 2014 to 10 April 2017. He has been an executive Director of the Company since 1 December 2015. He has been the general manager of the Company since 28 February 2017. He was also a director of Xiamen Port Development from 10 April 2017 to 7 September 2018. He has also been the chairman of Xiamen Port Development since 7 September 2018. He has been a director of Fujian Silk Road Shipping Operation Co., Ltd. since 19 December 2018. He has also been a member of the party committee and a deputy general manager of Xiamen Port Holding since June 2020.

Mr. LIN Fuguang, aged 58, is an executive Director and a deputy party secretary of the Company. He graduated with a Bachelor’s degree and is an assistant political instructor. From September 1988 to July 1991, he studied economics management at the Xiamen Party School of the Communist Party of China; from August 2002 to December 2004, he studied administrative management at Bachelor’s degree level at the Central Party Correspondence School; and from November 2008 to January 2010, he participated in the EDP senior management class at the School of Management of Xiamen University. From October 1981 to January 1984, he served at the film department of Division 53 of Team 32817 of the Fuzhou military district. From January 1984 to October 1985, he served at the film division of the politics department of Team 32866 of the Fuzhou military district. He retired from the army pending employment from October 1985 to January 1986. From January 1986 to November 1998, he was a cargo handler and officer of the container’s office, the political instructor of the party branch and the deputy manager of the finance and labour department of the Xiamen Division of China Ocean Shipping Tally Company. From November 1998 to April 2005, he was the manager of Xiamen Ocean Shipping Tally Labour Services Company. From April 2005 to August 2009, he was the deputy manager of Xiamen Ocean Shipping Tally Co., Ltd., and he presided over the work during the period from February 2006 onwards. From August

Biographies of Directors, Supervisors and Senior Management

2009 to August 2018, he was the manager of Xiamen Ocean Shipping Tally Co., Ltd. From November 2014 to August 2018, he was also the deputy secretary and secretary of the party central branch of Xiamen Ocean Shipping Tally Co., Ltd. From August 2018 to July 2019, he was the manager of the bulk cargo department of Xiamen Port Development, the party secretary and manager of Xiamen Hailong Terminal Co., Ltd., and the manager and, from December 2018 onwards, an executive director of Xiamen Port Haixiang Terminal Co., Ltd. He has been a deputy party secretary of the Company since July 2019 and has been an executive Director of the Company since 28 February 2020. He has also been the chairman of the Federation of Trade Unions of the Company of Xiamen Port Holding Group since 14 July 2020. He has also been a director of Xiamen Port Development since 8 January 2021.

Mr. CHEN Zhen, aged 48, is an executive Director, a deputy general manager and the chief financial officer of the Company. He graduated in 1995 from the Jimei University School of Finance and Economics majoring in foreign economic enterprise accounting. He graduated in 2004 from Xiamen University majoring in business administration with a Bachelor's degree in management. He graduated in 2007 from Xiamen University with a Master's degree in professional accounting, and is now a Senior Accountant and a top tier talent of management accounting in Fujian Province. From July 1995 to October 1995, he was an accountant of Xiamen Port Container Company. From October 1995 to October 1996, he was the financial director of International Freight Forwarding Company, a subsidiary of Xiamen Port Container Company. From October 1996 to June 2002, he was the assistant general manager and also the finance manager of Xiamen Jianhong Container Freight Co., Ltd., and during which he was also the manager of the container management department. From June 2002 to September 2009, he was the deputy manager, and then the manager of finance department of Xiamen Port Group Haitian Container Co., Ltd. From September 2009 to October 2013, he was the assistant manager, and then the deputy manager of the finance department of Xiamen Port Holding. From October 2013 to February 2017, he was the chief financial controller of Xiamen Port Development. From December 2013 to June 2017, he was also a supervisor of China Xiamen Foreign Shipping Agency Co., Ltd., Chaozhou Port Development Co., Ltd. and Xiamen Port YCH Logistics Co., Ltd. From December 2013 to June 2017, he was also the chairman of the supervisory committee of Xiamen Port Transport Co., Ltd., Xiamen Port Logistics Co., Ltd. and Xiamen Port Shipping Co., Ltd. From March 2014 to March 2017, he was also the chairman of the supervisory committee of Xiamen Port Trade Co., Ltd., and since December 2016 he has also been a director of Xiamen Container Terminal Group Co., Ltd. He has been the chief financial officer of the Company since 28 February 2017 and a deputy general manager of the Company since 17 May 2018. He has been a supervisor of Xiamen Port Development since 10 February 2020. He has been an executive Director of the Company since 28 February 2020. He has also been a director of Xiamen Port Financial Holding Co. Ltd. since 23 November 2020. He has also been a director of Xiamen International Trust Co., Ltd. since 3 February 2021, a director of Xiamen Strait Investment Co., Ltd. since 6 July 2021 and a director of Xiamen Rural Commercial Bank Co., Ltd. since 18 October 2021.

Biographies of Directors, Supervisors and Senior Management

Non-executive Directors

Mr. CHEN Zhiping, aged 56, is a non-executive Director of the Company. He graduated in July 1986 from the Jimei Finance and Economics School in Xiamen majoring in finance, and from May 1987 to October 1990 he studied finance at Xiamen University. From August 1997 to December 1999, he studied economics management at the Central Party Correspondence School, and from September 2007 to July 2010 he studied economics with a focus on economics management at the Central Party Correspondence Graduates School, and is currently an Accountant. From August 1986 to April 2003, he worked in the Finance Bureau of Xiamen Municipality as a cadre, an officer, and a deputy director and a researcher of the Administrative Department of Culture and Education. From April 2003 to November 2008, he was the deputy secretary of the Party Working Committee and the director of the Street Office, and then the secretary of the Party Working Committee and the director of the National People's Congress Liaison Office of Yundang Street of Xiamen City. From November 2008 to June 2016, he was the deputy director of the State-owned Assets Supervision and Administration Commission of Xiamen Municipal People's Government and a member of the Party Working Committee. He was a deputy party secretary and the general manager of Xiamen Port Holding from June 2016 to February 2018. He was the party secretary and the chairman of Xiamen Port Holding from January 2018 to May 2021. He has also been a non-executive Director of the Company since 28 February 2017. He was also the chairman of Xiamen Free Trade Test Zone Electronic Port Co., Ltd. from May 2018 to March 2021. He has also been the chairman of Fujian Silk Road Shipping Operation Co., Ltd. since 19 December 2018. He was also a deputy party secretary and a vice chairman of Fujian Province Port Group Limited Liability Company from August 2020 to November 2020. He has also been a deputy party secretary, a vice chairman and the general manager of Fujian Province Port Group Limited Liability Company since December 2020.

Mr. FU Chengjing, aged 60, is a non-executive Director of the Company. He graduated in 1983 from Jiangxi Institute of Finance and Economics with a bachelor's degree in economics and is an Accountant. He has been a cadre, a section member, deputy head of credit finance management office, deputy head and head of the industry and communication office and office head of the Xiamen Finance Bureau from August 1983 to February 2004. From February 2004 to March 2005, he was a director and deputy general manager of Xiamen Port (Group) Co., Ltd. Since January 2005, Mr. Fu has been a director of Xiamen Port Holding; and also a non-executive Director of the Company since March 2005. He has been a deputy general manager of Xiamen Port Holding since July 2005 and also acts as its chief accountant since February 2007. He also acts as the chairman of Xiamen Port Financial Holding Co., Ltd. since December 2015.

Biographies of Directors, Supervisors and Senior Management

Mr. HUANG Zirong, aged 59, is a non-executive Director of the Company. He graduated in August 1983 from Shanghai Jiaotong University with a Bachelor's degree in mechanics and obtained a Master's degree in business administration from the School of Management of Xiamen University in October 2000 and is a Senior Engineer. He joined Xiamen Harbour Bureau in 1983, was a technician and deputy leader of the mechanical team of Dongdu operating area, and was also a deputy supervisor and deputy head of the harbour engineering factory of Xiamen Harbour Bureau. He was the deputy general manager of Xiamen Port Container Company from October 1990 to April 2001. He was the general manager of Xiamen Port (Group) Co., Ltd. Haitian Port Services Branch from April 2001 to March 2002. He was the general manager of Xiamen Haitian Company from March 2002 to 31 March 2012. Mr. Huang was an executive Director and a deputy general manager of the Company from March 2005 to 27 March 2012. He was an executive Director and the general manager of the Company from 27 March 2012 to 1 December 2015. He was also a director of Xiamen Container Terminal Group Co., Ltd. from December 2013 to December 2016. He was also a director of Xiamen Port Development from January 2014 to 10 April 2017. He has been the chief engineer of Xiamen Port Holding since September 2015. He has been re-designated from an executive Director to a non-executive Director of the Company since 1 December 2015. He has also been a director of Xiamen Free Trade Test Zone Electronic Port Co., Ltd. since May 2018.

Ms. BAI Xueqing, aged 58, is a non-executive Director of the Company and a Senior Economist with a Bachelor's degree in mechanical manufacturing engineering, a Master's degree in currency banking and a Master's degree in business administration. From 1985 to 1990, she worked in the Jimei University as a teaching assistant and a lecturer. From 1990 to 1999, she worked in the Xiamen Branch of China People's Insurance Company as deputy chief, chief of the business department and a managerial assistant of the Kaiyuan Sub-branch. From 2001 to 2007, she worked in the Xiamen Branch of China People's Insurance Company as a deputy director of the statistics department, deputy general manager of the marketing management department, general manager of the marketing management department, director of the underwriting center and general manager of the property insurance and reinsurance department. From 2007 to 2016, she was the deputy general manager of the non-water insurance department of Taiping General Insurance Co., Ltd. (where she presided over the work), and the general manager of the Xiamen Branch. She has also been the vice chairman of the Xiamen Municipal Committee of the China Democratic National Construction Association since 2007. She has also been the deputy director of the People's Congress Standing Committee of the Siming District, Xiamen City, Fujian Province since 2011. She has been a deputy general manager of Xiamen Port Holding since 2016. She has also been a non-executive Director of the Company since February 2017. She also acted as a director of Shia Ning Shipping Co., Ltd. from December 2018 to December 2021. She has also been a director of Xiamen Port Development since January 2021. She has also been the president of the Xiamen Customs Special Supervision Area Association since March 2021.

Biographies of Directors, Supervisors and Senior Management

Independent Non-executive Directors

Mr. LIN Pengjiu, aged 56, is an independent non-executive Director of the Company. He graduated from the Department of Navigation of Dalian Maritime University with a Bachelor's degree in engineering in 1988 and a Postgraduate Degree in Maritime Law in 1991 respectively. He also obtained a Master Degree in laws from Jilin University. From 1991 to 1997, Mr. Lin taught maritime law in the Faculty of Law of Dalian Maritime University while engaging in the provision of legal services on a part-time basis. He joined Heng Xin Law Office in Liaoning in 1997 and became a qualified lawyer and partner of Heng Xin Law Office in 1998. He was a full-time lawyer, partner and director of Liaoning Tytop Law Firm from the end of 2008 to the start of 2019, and was later re-designated to Ningbo in Zhejiang Province for practice. He is a full-time lawyer and senior partner in Zhejiang Tytop Law Firm, mainly practicing in Ningbo and Dalian. He also acts as an arbitrator of the China Maritime Arbitration Commission, Dalian Arbitration Commission and Wuhan Arbitration Commission, and vice president of Maritime Law Institute of Liaoning Province, vice president of Maritime Law Institute of Law Society of Zhejiang Province, member of the Specialized Maritime Committee of All China Lawyers Association. He also acts as an independent non-executive Director of the Company since 28 December 2012.

Mr. JIN Tao, aged 57, is an independent non-executive Director of the Company. He graduated in July 1988 from Kaifeng University and Henan University's Joint Undergraduate Geography Program with a Bachelor's degree in science from Henan University, studied at Henan University's geography department and majored in economic geography from September 1991 to August 1994 and graduated with a Master's degree in economics, and studied at Nankai University's Economics Research Institute and majored in political economics from September 2001 to July 2004 and graduated with a Doctorate in economics. From August 1988 to August 1991, he taught at No. 18 Middle School at Kaifeng, Henan. From September 1994 to August 2001 he worked in the Administrative Committee of Ningbo Economic and Technological Development Zone. From August 2004 to October 2008, he worked as an associate professor at the Economics Research Institute of Xiamen University. From November 2006 to March 2014, he also acted as the associate chief editor of Economic Issues in China, a core economics national journal in the PRC. Since November 2008, he worked as a professor and a doctorate tutor at Xiamen University. From October 2008 to February 2012, he worked as the deputy head of Xiamen University's Economics Research Institute. Since February 2012, he acted as the head of Xiamen University's Economics Research Institute. From March 2014 to November 2020, he also acted as the joint chief editor of Economic Issues in China. Since December 2016 he acted as the vice president of the Fujian Province Securities Economics Research Association. He also acts as an independent nonexecutive Director of the Company since 26 February 2016.

Biographies of Directors, Supervisors and Senior Management

Mr. Ji Wenyuan, aged 55, is an independent non-executive Director of the Company. He graduated in March 1993 from Shanghai Maritime University's (formerly known as Shanghai Shipping Institute) international shipping department majoring in shipping economics and business with a Master's degree in economics management. From April 1993 to October 1995, while he was in the shipping department of Shanghai Ocean Shipping Co. Ltd., he worked in the container shipping division, container management division, bulk shipping division and the chartering division, and then as the manager of the chartering division. From November 1995 to December 1996, he was the manager of the chartering branch office of the chartering division of Beijing China Ocean Shipping Group Co., Ltd. and COSCO Bulk Carrier Co., Ltd. From January 1997 to December 1997, he was the deputy department manager of the First Shipping Department of COSCO Bulk Carrier Co., Ltd., and from January 1998 to April 1998 he was the deputy department manager of the Third Shipping Department of COSCO Bulk Carrier Co., Ltd. From May 1998 to September 1998, he was the department manager of the First Shipping Department of COSCO Bulk Carrier Co., Ltd. From October 1998 to April 2000, he acted as the Hong Kong and Macau region chief representative of COSCO Bulk Carrier Co., Ltd., and as the deputy general manager of Fansco Shipping (Hong Kong) Co., Ltd. From May 2000 to September 2002, he was the general manager and director of Jinjiang Shipping (Hong Kong) Corporation Limited. From September 2002 to December 2005, he was the senior vice president of the Parakou Group, the fourth largest shipping corporation in Hong Kong. In January 2006, he established Seamaster Chartering Limited in Hong Kong and since then acts at its general manager. In October 2010, he established Shanghai Seamaster Shipbroking Company Limited and since then acts as the chairman of the board of directors. In addition, he is also a visiting professor at Shanghai Maritime University, an invited shipping expert of the Shanghai Municipal Transport and Port Authority, an executive director of the Shanghai Shipping Broker Club, a director of the Shanghai Table Tennis Career Development Foundation, a director of International Maritime Organization-Maritime Technology Cooperation Centre for Asia and a founding member of Shanghai Charity Foundation-Wealove Foundation. He also acts as an independent non-executive Director of the Company since 26 February 2016.

Mr. Li Maoliang, aged 41, is an independent non-executive Director of the Company. He studied at the Jiangsu University majoring at electrical and information engineering from September 2001 to June 2005, and graduated with a bachelor's degree in engineering. He studied dual master's and doctorate degree program in business administration in finance at the Xiamen University from September 2008 to June 2014 and obtained a doctorate degree in business administration in finance. He was sent by the PRC government to conduct post-doctoral research in finance at the University of Adelaide in Australia from November 2017 to November 2018. He worked at the Zhenjiang Branch of China Mobile Group Jiangsu Company Limited from July 2005 to May 2007. Mr. Li has been successively holding the positions of an assistant professor in finance and a deputy professor in finance at the Institute for Financial and Accounting Studies, Xiamen

Biographies of Directors, Supervisors and Senior Management

University ("IFAS") since August 2014. He is also an assistant director of the Center for Accounting and Financial Innovations of IFAS. Mr. Li has been a specialised researcher at the Accounting Development Research Center of Xiamen University since January 2016 and a master's supervisor for financial and accounting studies at IFAS since February 2016. Since April 2021, Mr. Li is an independent director and the director of the audit committee of Fujian Glanny Bio-engineering Co., Ltd. He is also an expert reviewer at the Internet-based Science Information System of the National Natural Science Foundation of China and an expert reviewer for selection and compilation of teaching materials at the Xiamen University, where he was selected as Fujian Outstanding Young Scientific Research Talent in Higher Education in 2016. He has also acted as an independent non-executive Director of the Company since 15 March 2022.

Mr. LIU Feng, aged 56, resigned as an independent non-executive Director of the Company since 16 February 2022. He graduated from the accountancy department of Xiamen University in 1994 and obtained a doctoral degree in economics (accountancy). He was a teacher of Xiamen University since July 1987 and taught in Zhongshan University as a Distinguished Professor in January 2000, and was a supervisor of doctoral candidates of the accountancy of School of Management, Zhongshan University, the director of Modern Accountancy and Finance Research Center of Zhongshan University and the vice president of School of Management, Zhongshan University. He was invited as a professor and a supervisor of doctoral candidates of accountancy department of School of Management, Xiamen University since September 2010. He also acted as an independent non-executive Director of the Company from 28 February 2011 to 16 February 2022. He acted as an independent director of Deppon Logistics Co., Ltd. (a company listed on the Shanghai Stock Exchange in the PRC) from December 2011 to August 2018. He acted as an independent director of Bank of Hangzhou Co., Ltd. (a company listed on the Shanghai Stock Exchange in the PRC) from September 2013 to May 2020. From December 2013 to December 2016, he acted as a director of LeKing Wellness Co., Ltd. (formerly known as Anhui Saunaking Co., Ltd. and Anhui Leking Wellness Co., Ltd., a company listed on the Shenzhen Stock Exchange in the PRC). From May 2015 to December 2018, he acted as an independent director of COSCO SHIPPING Specialized Carriers Co., Ltd. (formerly known as COSCO Shipping Co., Ltd., a company listed on the Shanghai Stock Exchange in the PRC). From May 2016 to May 2019, he acted as an independent director of Xiamen C&D Inc. (a company listed on the Shanghai Stock Exchange in the PRC). He has acted as an independent director of Shanghai Rongtai Health Technology Corporation Limited (a company listed on the Shanghai Stock Exchange in the PRC) since October 2019. He has acted as an independent director of Xiamen ITG Group Co., Ltd. (a company listed on the Shanghai Stock Exchange in the PRC) since May 2020. He has acted as an independent director of Luckin Coffee Inc. (a company listed on the Nasdaq Stock Exchange in the United States) since July 2020. Currently, he is a member of the Legal Aid and Rights Protection Committee of Chinese Institute of Certified Public Accountants.

Biographies of Directors, Supervisors and Senior Management

SUPERVISORS

Mr. DU Hongjia, aged 51, is a shareholders representative Supervisor and the Chairman of the Supervisory Committee of the Company. In July 1993, he graduated from Xiamen University (majored in Journalism) with a Bachelor's degree in law. In September 2003, he graduated from the Edinburgh Business School of Heriot-Watt University in the United Kingdom with a Master's degree in Business Administration. He is now a Senior Political Engineer. From July 1993 to July 1998, he was a staff member of the Political Department of the Xiamen Harbour Bureau and the secretary of the General Branch of the Communist Youth League thereof (He served temporarily at Xiamen Port Group Shihushan Terminal Co., Ltd. between July 1993 and January 1994). From July 1998 to November 2013, he worked as a deputy editor and editor-in chief at Xiamen Port News. From July 1998 to July 2001, he worked as a special researcher at the Ideological and Political Work Research Association of Xiamen City. From July 2001 to August 2009, he worked as the deputy secretary of the Committee of the Communist Youth League of Xiamen Port Holding and as the deputy supervisor of the office of the Party Committee of Xiamen Port Holding Group from July 2005 to June 2009. From July 2005 to June 2016, he worked as the deputy secretary and the secretary of the Party General Branch of Xiamen Port Holding. He worked as the deputy supervisor of the office of Xiamen Port Holding from April 2009 to April 2016 and he was a member of the 15th and the 16th Sessions of the Communist Youth League in Xiamen City from August 2009 to November 2013. From October 2013 to June 2016, he was appointed as the supervisor of the Office of the Safety Production Committee of Xiamen Port Holding and the supervisor of the Social Security Integrated Governance Office. He worked as a deputy secretary of the Party General Branch and a member of the Disciplinary Inspection Committee of Xiamen Strait Investment Co., Ltd. from April 2016 to May 2018 and worked as a supervisor of the Disciplinary Inspection Office of Xiamen Port Holding from March 2017 to September 2018. He was appointed as the deputy secretary of the Disciplinary Inspection Committee of Xiamen Port Holding from April 2017 to September 2018. He has been a member of the Party Committee and the secretary of the Disciplinary Inspection Committee of Xiamen Port Holding since September 2018. He has been the deputy chairman of the supervisory committee of Xiamen Port Holding since December 2018. He has been a supervisor and the Chairman of the Supervisor Committee of the Company since 23 August 2019.

Mr. ZHANG Guixian, aged 55, is a shareholders representative Supervisor of the Company. He graduated from Hohai University with a Bachelor's degree in engineering in July 1987. In April 1998, he graduated from Shanghai Maritime University with a Master's degree in economics and is now an auditor, economist and engineer. From July 1987 to September 1995, he worked as an engineer and was engaged in the design of port and sea-route engineering at Fujian Traffic Planning & Design Institute. From April 1998 to July 2009, he worked as an economist at the corporate management department of Xiamen Port Holding. He has been working in the audit and risk control department of Xiamen Port Holding since August 2009,

Biographies of Directors, Supervisors and Senior Management

currently being the manager of the audit and risk control department. He has also been a Supervisor of the Company since 28 February 2014. He has also been the chairman of the supervisory committee of Xiamen Port Financial Holding Co., Ltd. since December 2015. He has also been the deputy chairman of the supervisory committee of Xiamen International Cruises Home Port Group Co., Ltd. since July 2017. He has also been a supervisor of Fubon Property Insurance Co., Ltd. since January 2018. He was also a director of Xiamen Port Development from November 2018 to 8 January 2021.

Mr. LIAO Guosheng, aged 59, is a staff representative Supervisor of the Company. He graduated from the Central Party School in 2002 and obtained a part-time bachelor's degree in economics management and is a senior economist. He served as a tallying officer, business representative, deputy office director, head of business division, deputy general manager and secretary of China Ocean Shipping Tally Company Xiamen Branch from September 1983 to April 2001. He was the general manager and secretary of Xiamen Haicang Port Co., Ltd., and a deputy general manager and Chinese representative of Xiamen International Container Terminal Co., Ltd. from May 2001 to March 2006. From April 2006 to April 2009, he was a director and the general manager of Xiamen Port Development, and concurrently served as the chairman of Xiamen Port Logistics Co., Ltd., Xiamen Port Shipping Co., Ltd. and Xiamen Port Transportation Co., Ltd. From May 2009 to December 2013, he was the party secretary of Xiamen Port Group Haitian Container Co., Ltd. He was the party secretary and a deputy general manager of Xiamen Container Terminal Group Co., Ltd. from 13 December 2013 to 20 January 2021, and during this period, he assumed the responsibilities of the general manager from 7 February 2020 to 24 March 2020. He was the chairman of the workers union of Xiamen Container Terminal Group Co., Ltd. from 13 December 2013 to 30 October 2019. He has also been a director of Xiamen Songyu Container Terminal Co., Ltd., a director of Xiamen International Container Terminal Co., Ltd. and a director of Xiamen Haicang International Container Terminal Co., Ltd. since 13 December 2013, and during this period he also acted as the chairman of the above-mentioned three companies from 7 February 2020 to 4 June 2020. He also acted as a director and the chairman of Xiamen Port Haicang Container Inspection Service Co., Ltd. from 13 December 2013 to 29 July 2021. He has been a staff representative Supervisor of the Company since 28 February 2014. He was the secretary of the Commission for Discipline Inspection of the Company from 20 April 2016 to 2 March 2021. He was also a director of Xiamen Haicang Xinhaida Container Terminal Co., Ltd. from 9 March 2017 to 9 June 2020, and during this period he also acted as the chairman from 7 February 2020 to 9 June 2020. He has also been the chairman of the supervisory committee of Xiamen Port Development since 10 April 2017. He was also an executive director of Xiamen Hairun Container Terminal Co., Ltd. from 7 February 2020 to 12 June 2020. He also acted as a director of Trend Wood Investments Limited from 7 February 2020 to 29 July 2021. He has been a consultant of Xiamen Container Terminal Group Co., Ltd. since 2 March 2021.

Biographies of Directors, Supervisors and Senior Management

Mr. LIU Xiaolong, aged 51, is a staff representative Supervisor of the Company. He graduated from Wuhan Transportation University with a Bachelor's degree in marine engineering in July 1994 and is an economist. From September 1994 to April 1999, he was the work instructor and chief operation officer of planning and business of the production management division of Xiamen Port Shihushan Terminal Company. From April 1999 to August 2009, he was an officer for discipline inspection of Xiamen Port Holding. From August 2009 to December 2011, he was the assistant of the director of the discipline inspection supervisory office of Xiamen Port Holding. From December 2011 to March 2017, he was the deputy director of the discipline inspection supervisory office of Xiamen Port Holding, and he presided over the work during the period from November 2013 onwards. He was also the deputy manager of the audit department of Xiamen Port Holding from February 2012 to November 2013. He has been a member of the Party Committee of Xiamen Port Development since December 2016. He has been the secretary of the Commission for Discipline Inspection of Xiamen Port Development since January 2017. He has been a staff representative Supervisor of the Company since 13 December 2019.

Mr. TANG Jinmu, aged 56, is an independent Supervisor of the Company and a senior accountant and a member of the 12th session of Xiamen Committee of Chinese People's Political Consultative Conference. He graduated in 1988 from the accountancy department of Xiamen University with a Bachelor's degree. He obtained a Master's degree in business administration from the Open University of Hong Kong in December 2002. He graduated from the Economics School of Xiamen University with a doctoral degree and academic qualification in finance in July 2011. He worked for Xiamen Finance Bureau from September 1988 to June 1994. He was deputy head of Xiamen Certified Public Accountants and head of Xiamen Asset Valuation Office from July 1994 to December 1998. He worked for Xiamen Huatian Certified Public Accountants from January 1999 to October 2000 and as a partner of Xiamen Tianjian Huatian Certified Public Accountants from November 2000 to December 2001. He has been working in Xiamen Institute of Certified Public Accountants since January 2002, currently being the secretary general of Xiamen Institute of Certified Public Accountants and is also the secretary general of Xiamen Asset Appraisal Association. He also acted as an independent director of Tsann Kuen (China) Enterprise Co., Ltd. (a company listed on the Shenzhen Stock Exchange in the PRC) from May 2014 to April 2021. He also acted as an independent director of Xingye Leather Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange of the PRC) from January 2015 to December 2019. He also acts as an independent director of Xiamen Guangpu Electronics Co., Ltd. (a company listed on the Shenzhen Stock Exchange of the PRC) from February 2016 to May 2021, and an independent director of Xiamen Red Phase Instruments Inc. (a company listed on the Shenzhen Stock Exchange of the PRC) from November 2017 to July 2021. He has also been an independent Supervisor of the Company since March 2005.

Biographies of Directors, Supervisors and Senior Management

Mr. XIAO Zuoping, aged 47, is an independent Supervisor of the Company. He graduated from the School of Management, Xiamen University in July 2004 and obtained a doctoral degree in Management (Finance). He was engaged in post-doctoral research from April 2005 to April 2007 in the School of Economics and Management, Tsinghua University and was exceptionally promoted to a professor of Southwest Jiaotong University in July 2006, and currently being a professor and a supervisor of doctoral candidates of accountancy of the School of Economics & Management, Southwest Jiaotong University. He has been also acting as an independent Supervisor of the Company since 28 February 2011. He also acted as an independent director of Guizhou Bijie Rural Commercial Bank Co., Ltd. from February 2015 to February 2018. He was an independent director of Dalian East New Energy Development Co., Ltd. (a company listed on the Shenzhen Stock Exchange in the PRC) from May 2015 to July 2017. He has also been an independent director of Sichuan Sundaily Farm Ecological Food Co., Ltd. since December 2015, an independent director of Sichuan Anzhou Rural Commercial Bank Co., Ltd. since January 2017 and an independent director of Chengdu Lingwo Network Technology Co., Ltd. from September 2017 to July 2019. He is the excellent talent of Ministry of Education in the new century, the national leading talent in accounting of the Ministry of Finance, the expert of excellence with outstanding contribution of Sichuan Province, a non-practicing member of Chinese Institute of Certified Public Accountants ("CPA"), a standing director of the Financial Cost Branch of China Accounting Society, a director of the Council of "China Accounting Review", a member of the Academics Committee of "Communication of Finance and Accounting" and a specially requested member of the Editorial Committee of the "Securities Market Herald". He is also an evaluation expert of the Ministry of Education in degree and postgraduate education, a peer review expert of the State Natural Fund Commission, a peer review expert of the Doctoral Fund of the Ministry of Education and an evaluation expert of Scientific Research Fund and Awards for Science and Technology of the Ministry of Education.

COMPANY SECRETARIES

Mr. CAI Changzhen, aged 50, is the Company Secretary of the Company. He graduated from the Faculty of Law of Xiamen University with a bachelor's degree in law in July 1995. From September 1993 to July 1995, he studied in the evening session of Xiamen University and graduated with a second major in business administration. From October 1998 to May 2002, he studied in the graduate training course offered by the Faculty of Business Administration of the Graduate School of Xiamen University and graduated with a master's degree in management. In July 1997 he was admitted as a lawyer by the Chinese Ministry of Justice and is currently an economist. From July 1995 to June 1998, he was the secretary of the Office of Xiamen Harbour Bureau, and from June 1998 to March 2004 he was the secretary of the Office of Xiamen Port (Group) Co., Ltd. From March 2004 to September 2006, he was the secretary of the Board Secretariat and the Affairs Department of the Company, during which he participated in the Company's asset

Biographies of Directors, Supervisors and Senior Management

reorganization and listing projects. From September 2006 to November 2014, he was the deputy manager of the Affairs Department of the Company and primarily assisted the Board Secretary. He was a deputy officer of the Board Secretariat and a deputy officer of the Office of the Company from November 2014 to November 2021. He was a joint Company Secretary of the Company from 18 April 2016 to 17 April 2019 and has been the sole Company Secretary of the Company since 18 April 2019. He has also been a supervisor of Xiamen Container Terminal Group Co., Ltd. since December 2016. He has been an officer of the Board Secretariat and an officer of the Office of the Company since November 2021.

SENIOR MANAGEMENT

CHEN Zhaohui, General Manager

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

CHEN Zhen, Deputy General Manager and Chief Financial Officer

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

Wu Yansong, Deputy General Manager

Mr. Wu Yansong, aged 51, is a deputy general manager of the Company. He graduated from Shanghai Maritime University (formerly Shanghai Shipping Institute) in July 1992 with a bachelor degree in engineering and is currently a senior economist. From August 1992 to October 1993, he served as a technician of the mechanical team of Xiamen Port Heping Loading and Unloading Company. From October 1993 to November 1994, he served as a technician of the mechanical team of Xiamen Harbour Bureau Haitian Loading and Unloading Company. From November 1994 to June 1996, he served as a deputy manager of Haitian Labor Services Company of Xiamen Harbour Bureau. From June 1996 to August 1997, he served as a deputy chief of the warehouse section of Xiamen Port Haitian Port Company. From August 1997 to April 1999, he served as a deputy manager of the Freight Company of Xiamen Haitian Port Branch. From April 1999 to September 2001, he was the captain of the second mechanical team of Xiamen Haitian Port Branch. From September 2001 to January 2008, he served as the manager of operation section, an assistant general manager and then a deputy general manager of Xiamen Port Group Haitian Container Co., Ltd. From January 2008 to August 2009, he served as a deputy party secretary and the general manager of Xiamen Port Logistics Co., Ltd. From August 2009 to February 2011, he served as the party secretary

Biographies of Directors, Supervisors and Senior Management

and the standing deputy general manager of Xiamen Port Development Co., Ltd. Dongdu Branch. From February 2011 to August 2013, he served as a deputy party secretary and the general manager of Xiamen Port Development Co., Ltd. Dongdu Branch. From August 2013 to March 2017, he served as a deputy general manager of Xiamen Port Development Co., Ltd., during this period he assumed the responsibilities of the general manager from December 2015 onwards. From July 2013 to March 2017, he also served as the general manager of China Xiamen Ocean Shipping Agency Co., Ltd. He has been a director of Xiamen Port Development Co., Ltd. He was also a director and the chairman of Chaozhou Port Development Co., Ltd. from November 2015 to June 2020. He has also been a director of Xiamen Port Trading Co., Ltd. from November 2015 to April 2020, during this period he has also been the chairman since November 2018. He has also been a director of Xiamen Port Group Shihushan Terminal Co., Ltd. from October 2016 to June 2020. He has also been a director of Xiamen Container Terminals Group Co., Ltd. since December 2016 and also been the chairman since July 2020. From December 2016 to May 2018, he served as a deputy party secretary of the Company. From December 2016 to March 2020, he served as a deputy party secretary of Xiamen Port Development Co., Ltd. From March 2017 to March 2020, he was the general manager of Xiamen Port Development Co., Ltd. From October 2017 to July 2019, he also served as the chairman of Shishi Huajin Terminal Storage and Transportation Co., Ltd. He was also the chairman of China Ocean Shipping Agency Xiamen Co., Ltd. from November 2018 to March 2020. He was also a director of Zhangzhou Gulei Port Development Co., Ltd. from August 2019 to June 2020. He has been a deputy party secretary of Xiamen Container Terminal Group Co., Ltd. since March 2020. He was the general manager of Xiamen Container Terminal Group Co., Ltd. from March 2020 to February 2021. He has been a deputy general manager of the Company since March 2020. He has also been a director of Fujian Electronic Port Co., Ltd. since April 2020. He was a director and the chairman of Xiamen Songyu Container Terminal Co., Ltd., Xiamen International Container Terminal Co., Ltd., Xiamen Haicang International Container Terminal Co., Ltd. and Xiamen Haicang Xinhaida Container Terminal Co., Ltd. from June 2020 to July 2021. He has also been a director of Fujian Silk Road Shipping Operation Co., Ltd. since June 2020.

Report of the Directors

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

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

During the Year, the principal activities of the Group include: (i) container, bulk and general cargo loading and unloading and storage businesses; (ii) port comprehensive logistics services, including port-related logistics, shipping agency, tugboat berthing and unberthing services, tallying; and (iii) the trading of merchandise (the above collectively referred to as the “Core Businesses”). Besides the Core Businesses, the Group is also engaged in long term investment business. The principal activities of our subsidiaries are set out in Note 38 to the consolidated financial statements.

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

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

BUSINESS REVIEW

Review of the business of the Group during the Year and discussion on the Group’s future business development, as well as introduction of the possible risks and uncertainties that the Group may be facing are set out in the Chairman’s Statement on pages 6 to 12 and the Management’s Discussion and Analysis on pages 13 to 38 of this annual report. Also, the financial risk management objectives and policies of the Group can be found in Note 3 to the consolidated financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2021 are provided in Note 40 to the consolidated financial statements. An analysis of the Group’s performance during the Year using financial key performance indicators is provided in the Group’s Financial Highlights on pages 4 to 5 of this annual report. In addition, discussion on the Group’s corporate social responsibility, environmental policies, investor’s relationships and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Corporate Governance Report on pages 39 to 68 and this Report of the Directors on pages 83 to 98 respectively.

RESULTS

The Group’s results for the Year are set out in the consolidated income statement on page 111.

Report of the Directors

FINAL DIVIDEND

The Board resolved to recommend payment of a final dividend of RMB2.1 cents per share (tax inclusive), aggregating RMB57,250,200 (tax inclusive) to all shareholders whose names appear on the Register of Members on 22 June 2022, subject to the consideration and approval of the same by shareholders at the forthcoming annual general meeting to be held on 10 June 2022.

RESERVES

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

DONATIONS

Charitable and other donations made by the Group in the Year were approximately RMB1,112,900 in aggregate.

SHARE CAPITAL

The table below sets out the share capital structure of the Company as at 31 December 2021:

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

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

RESERVES AVAILABLE FOR DISTRIBUTION AND DIVIDEND POLICY

Pursuant to the Company Law, the Company may distribute dividend only out of the annual profit available for distribution, being the balance of the profit after tax of the Company after deducting (i) the accumulated losses of prior years, and (ii) allocations to the statutory surplus reserve and, if any, the discretionary surplus reserve (in order of their priorities). Pursuant to the Articles, for the purpose of determining the profit available for distribution, the profit after tax of the Company shall be the lower of two of the profit after tax calculated in accordance with (i) the PRC Accounting Standards and Rules, and (ii) the generally accepted

Report of the Directors

accounting principles in Hong Kong. The amount of dividend to be distributed, if any, to the shareholders of the Company will be depended upon the Group's earnings and financial conditions, operating requirements and capital requirements, as well as subject to the approval of the shareholders of the Company.

For the year ended 31 December 2021, the amount of reserves available for distribution of the Company, calculated on the above basis, was approximately RMB115,212,000. Such amount was prepared under the generally accepted accounting principles in Hong Kong.

PRE-EMPTION RIGHTS

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

SHARE OPTION SCHEME

The Company does not implement any share option scheme.

FINANCIAL HIGHLIGHTS

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

PURCHASE, SALE AND REDEMPTION OF SECURITIES

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

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

On 30 June 2021, the Company and NWXP have entered into an equity transfer framework agreement in respect of the Company's acquisition of 20% equity interest in Xiamen Terminal Group from NWXP at a cash consideration of RMB1,568,000,000. On 20 August 2021, the Company and NWXP have signed a formal equity transfer agreement for the specific implementation of the above-mentioned transaction so as to clarify the relevant transaction details. The above equity transaction was completed on 8 October 2021 and hence immediately thereafter the Company effectively held 80% of the equity interest in Xiamen Terminal Group. For details of the above transaction, please refer to the announcements of the Company dated 30 June 2021, 20 August 2021 and 8 October 2021, respectively, and the circular of the Company dated 24 September 2021.

Report of the Directors

On 11 October 2021, the Company has entered into an equity transfer agreement with Xiangyu Logistics, pursuant to which the Company has acquired the remaining 10% equity interest in Xiamen Terminal Group held by Xiangyu Logistics at a consideration of RMB796,098,430. The above equity transaction was completed on 22 December 2021. For details of the above transaction, please refer to the announcements of the Company dated 11 October 2021, 3 December 2021 and 22 December 2021, respectively, and the circular of the Company dated 12 November 2021.

Concurrently on 11 October 2021, the Company has entered into an equity transfer agreement with Xiamen ITG and Pointer Investment (a wholly-owned subsidiary of Xiamen ITG), pursuant to which the Company has acquired the remaining aggregate 10% equity interest in Xiamen Terminal Group held by Xiamen ITG and Pointer Investment at a total consideration of RMB796,098,430. The above equity transaction was completed on 4 January 2022. For details of the above transaction, please refer to the announcements of the Company dated 11 October 2021, 3 December 2021 and 4 January 2022, respectively, and the circular of the Company dated 12 November 2021.

On 11 October 2021 and 29 October 2021, Xiamen Terminal Group has entered into an equity transfer agreement and a supplemental agreement to the equity transfer agreement with Xiamen Port Holding successively, pursuant to which Xiamen Terminal Group has acquired the entire equity interest in Haitong Terminal held by Xiamen Port Holding at the consideration of RMB970,588,000. The above equity transaction was completed on 10 December 2021. For details of the above transaction, please refer to the announcements of the Company dated 11 October 2021, 29 October 2021, 3 December 2021 and 10 December 2021, respectively, and the circular of the Company dated 12 November 2021.

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

DIRECTORS AND SUPERVISORS

During the Reporting Period, members of the sixth session of the Board of the Company comprised four executive Directors, namely Mr. CAI Liqun (Chairman), Mr. CHEN Zhaohui, Mr. LIN Fuguang and Mr. CHEN Zhen, four non-executive Directors, namely Mr. CHEN Zhiping, Mr. FU Chengjing, Mr. HUANG Zirong and Ms. BAI Xueqing, and four independent non-executive Directors, namely Mr. LIU Feng, Mr. LIN Pengjiu, Mr. JIN Tao and Mr. JI Wenyan.

On 16 February 2022, Mr. LIU Feng resigned from the positions of an independent non-executive Director, the Chairman and a member of the Audit Committee, and a member of the Remuneration Committee

Report of the Directors

of the Company due to his personal work arrangements. The resignation of Mr. LIU Feng caused the Company temporarily not to be in compliance with the requirement set out under Rule 3.10(2) of the Listing Rules that at least one of the independent non-executive Directors of the Board must have appropriate professional qualifications or accounting or related financial management expertise, as well as the requirement set out under Rule 3.10A of the Listing Rules that the Company must appoint the independent non-executive Directors representing at least one third of the Board. In order to comply with the abovementioned requirements under the Listing Rules, the Company has appointed Mr. LI Maoliang as an independent non-executive Director, the Chairman and a member of the Audit Committee, and a member of the Remuneration Committee on 15 March 2022, which is within three months from the effective date of the resignation of Mr. LIU Feng.

During the Reporting Period, members of the sixth session of the Supervisory Committee of the Company included two Shareholders representative Supervisors, namely Mr. DU Hongjia (being the Chairman of Supervisory Committee) and Mr. ZHANG Guixian, two staff representative Supervisors, namely Mr. LIAO Guosheng and Mr. LIU Xiaolong, and two independent Supervisors, namely Mr. TANG Jinmu and Mr. XIAO Zuoping.

According to the Articles, the term of office of the Directors and Supervisors shall be three years, subject to re-election upon expiry of their terms. Besides, there is no requirement of retirement by rotation in the Articles.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

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

REMUNERATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Remuneration paid by the Company to the senior management (excluding the Directors) for the Year ranges from approximately RMB765,600 to RMB1,253,500 each.

Report of the Directors

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

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

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biography of each of the current and resigned Directors, Supervisors and senior management of the Company as at the date of this annual report are set out on pages 69 to 82.

RIGHTS TO ENABLE DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 2021, none of the Directors, Supervisors, chief executives of the Company or their associates had any interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any Director, Supervisor or chief executive of the Company is deemed or taken to be under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2021, to the best of the knowledge of the Directors, Supervisors or chief executives of the Company, the following persons (other than the Directors, Supervisors or chief executives of the Company) had an interest or short position in the shares and underlying shares of the Company which should be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Class of Shares	Number of Shares	Capacity	As a % of the relevant class of share capital	As a % of the total share capital
Xiamen Port Holding	Domestic shares (Long Position)	1,721,200,000	Beneficial owner	98.95%	63.14%
	H shares (Long Position)	141,264,000 (note)	Interest of controlled corporation	14.32%	5.18%
Xiamen Haixia Investment Co., Ltd.	H shares (Long Position)	141,264,000 (note)	Interest of controlled corporation	14.32%	5.18%
Shia Ning Shipping Co., Ltd.	H shares (Long Position)	141,264,000 (note)	Beneficial owner	14.32%	5.18%

Note: The 141,264,000 shares referred to the same batch of shares as Xiamen Haixia Investment Co., Ltd. and Shia Ning Shipping Co., Ltd. were all directly or indirectly owned by Xiamen Port Holding and therefore by virtue of the SFO, Xiamen Port Holding was deemed to be interested in these shares.

Save as disclosed above, as at 31 December 2021, to the best of the knowledge of the Directors, Supervisors or chief executives of the Company, no other persons (other than the Directors, Supervisors or chief executives of the Company) had an interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO. In addition, no short positions were recorded in the register maintained by the Company under section 352 of the SFO as at 31 December 2021.

MANAGEMENT CONTRACTS

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

EQUITY-LINKED AGREEMENTS

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

Report of the Directors

PERMITTED INDEMNITY PROVISION

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

DEBENTURES ISSUED

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

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

Employees

As at 31 December 2021, the Group had a total of 7,212 employees. For details of employees' remuneration, please refer to the Management Discussion and Analysis on page 29 of this annual report.

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

Customers

The Group is committed to creating values for our customers by providing quality services to meet their needs and strives to grow together with our customers. Based on full investigation and analysis of industry background, scale of operation and credibility of the customers, the Group has established long-term good cooperation relationships with our customers, made efforts to offer our customers a refined service, and

Report of the Directors

followed normal commercial terms to settle according to contract payment conditions. During the Year, total sales to the five largest customers of the Group accounted for approximately 20.2% of the Group's total sales, of which, the sales from the largest customer accounted for approximately 6.0% of the total sales of the Group.

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

Suppliers

The Group attaches great importance to supplier procurement management. Based on full investigation and analysis of operation qualification, industry background, scale of production, product quality and business integrity of the suppliers, the Group conducts supplier assessment to rate their performance on a regular or irregular basis to ensure the normal operation of the port while reducing corporate costs and decreasing potential supplier risk. Through sincere cooperation, the Group has set up long-term cooperation relationships with our major suppliers. During the Year, total purchases from the five largest suppliers of the Group accounted for approximately 18.9% of the Group's total purchases, of which, the purchase from the largest supplier accounted for approximately 5.3% of the total purchases of the Group.

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

CONNECTED TRANSACTIONS

In 2021, the Company and/or its related subsidiaries entered into the following one-off connected transactions with certain connected parties:

On 30 June 2021 and 20 August 2021, the Company and NWXP have entered into an equity transfer framework agreement and a formal equity transfer agreement successively, pursuant to which the Company has acquired 20% of the equity interest in Xiamen Terminal Group held by NWXP at a consideration of RMB1,568,000,000. The above equity transaction was completed on 8 October 2021. Details of the above transaction are set out in the aforementioned section titled "MAJOR ACQUISITIONS AND DISPOSALS OF SUBSIDIARY, ASSOCIATED COMPANIES AND JOINT VENTURES".

On 11 October 2021, the Company has entered into an equity transfer agreement with Xiangyu Logistics, pursuant to which the Company has acquired 10% equity interest in Xiamen Terminal Group held by Xiangyu Logistics at a consideration of RMB796,098,430. The above equity transaction was completed on 22 December 2021. Details of the above transaction are set out in the aforementioned section titled "MAJOR ACQUISITIONS AND DISPOSALS OF SUBSIDIARY, ASSOCIATED COMPANIES AND JOINT VENTURES".

Report of the Directors

On 11 October 2021, the Company has entered into an equity transfer agreement with Xiamen ITG and Pointer Investment, pursuant to which the Company has acquired the aggregate 10% equity interest in Xiamen Terminal Group held by Xiamen ITG and Pointer Investment at a total consideration of RMB796,098,430. The above equity transaction was completed on 4 January 2022. Details of the above transaction are set out in the aforementioned section titled “MAJOR ACQUISITIONS AND DISPOSALS OF SUBSIDIARY, ASSOCIATED COMPANIES AND JOINT VENTURES”.

On 11 October 2021 and 29 October 2021, Xiamen Terminal Group has entered into an equity transfer agreement and a supplemental agreement to the equity transfer agreement with Xiamen Port Holding successively, pursuant to which Xiamen Terminal Group has acquired the entire equity interest in Haitong Terminal Company held by Xiamen Port Holding at a consideration of RMB970,588,000. The above equity transaction was completed on 10 December 2021. Details of the above transaction are set out in the aforementioned section titled “MAJOR ACQUISITIONS AND DISPOSALS OF SUBSIDIARY, ASSOCIATED COMPANIES AND JOINT VENTURES”.

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

Transaction particulars	Connected person	Date of signing the agreement	Transaction amount (RMB)
A. The Company acquired 20% equity interest in Xiamen Terminal Group held by NWXP	NWXP	30 June 2021 and 20 August 2021	1,568,000,000
B. The Company acquired 10% equity interest in Xiamen Terminal Group held by Xiangyu Logistics	Xiangyu Logistics	11 October 2021	796,098,430
C. The Company acquired the aggregate 10% equity interest in Xiamen Terminal Group held by Xiamen ITG and Pointer Investment	Xiamen ITG and Pointer Investment	11 October 2021	796,098,430
D. Xiamen Terminal Group acquired the entire equity interest in Haitong Terminal Company held by Xiamen Port Holding	Xiamen Port Holding	11 October 2021 and 29 October 2021	970,588,000

Note: NWXP, Xiangyu Logistics, Xiamen ITG and Pointer Investment are substantial shareholders (as defined under the Listing Rules) of Xiamen Terminal Group and hence are connected persons of the Company at the subsidiary level.

In addition, in 2021, due to its day-to-day business operation and development demands, the Group also entered into certain non-exempt continuing connected transactions with the Company's controlling shareholder, Xiamen Port Holding and its associates (collectively known as the “Xiamen Port Holding

Report of the Directors

Group”) and certain other connected parties outside the Group. The table below sets out a summary of the above-mentioned non-exempt continuing connected transactions:

Services	Connected Persons	2021	
		annual cap (RMB)	Actual amount incurred (RMB)
A. Office/premises/terminal facilities lease	Xiamen Port Holding Group [®]	115,000,000 (Being rent payable by the Group) 43,000,000 (Being rent receivable by the Group)	102,849,000 30,852,000
B. Logistics property services	Xiamen Port Holding Group	23,900,000	20,627,000
C. Construction project management	Xiamen Port Holding Group	18,000,000	2,174,000
D. Port facilities engineering and construction	Xiamen Port Holding Group	185,000,000	104,043,000
E. Port-related labour services	Xiamen Port Holding Group	153,100,000	127,992,000
F. Electrical equipment maintenance	Xiamen Port Holding Group	19,500,000	6,828,000
G. Port services	COSCO Shipping Container Lines Co., Ltd. [®]	205,000,000	145,259,000
H. Power supply and maintenance	Xiamen Port Holding Group	42,000,000	14,772,000
I. Port services	Xiamen Port Holding Group	61,000,000	56,430,000
J. Information services	Xiamen Port Holding Group	35,000,000	18,825,000
K. Port services	Maersk (China) Shipping Co., Ltd. [®]	390,000,000	317,801,000
L. Purchase of oil products	Xiamen Port Holding Group	83,000,000	66,830,000
M. Mutual forwarding services	Xiamen Port Holding Group [®]	4,500,000 (Being fee receivable by the Group) 83,500,000 (Being fee payable by the Group)	1,493,000 38,734,000
N. Mutual trade	Xiangyu Logistics [®]	371,000,000 (Being fee receivable by the Group) 857,000,000 (Being fee payable by the Group)	28,713,000 552,960,000
O. Mutual trade	Xiamen ITG Holding Group Co., Ltd. [®]	451,000,000 (Being fee receivable by the Group) 1,237,000,000 (Being fee payable by the Group)	175,235,000 446,242,000
P. Port transportation service	Xiamen Port Holding Group	30,000,000	8,039,000
Q. Mutual trade	Xiamen Haitou Supply Chain Operation Co., Ltd. [®]	125,000,000 (Being fee receivable by the Group) 125,000,000 (Being fee payable by the Group)	27,988,000 30,062,000

Report of the Directors

- ① The annual cap for the connected transaction of office/premises/terminal facilities lease has been raised from RMB6,000,000 to RMB43,000,000 (being rent receivable by the Group) during the year of 2021 on 30 June 2021.
- ② COSCO Shipping Container Lines Co., Ltd. is an associate of China Ocean Shipping Agency Co., Ltd. which is a substantial shareholder of China Ocean Shipping Agency Xiamen Co., Ltd. (an indirect subsidiary of the Company), and therefore is a connected person at the subsidiary level of the Company.
- ③ Maersk A/S is an associate of APM TERMINALS XIAMEN COMPANY LIMITED which is a substantial shareholder of Xiamen Songyu Container Terminal Co., Ltd. (an indirect subsidiary of the Company), and therefore is a connected person at the subsidiary level of the Company.
- ④ The connected transaction of mutual forwarding services is a new continuing connected transaction during the Year due to Fujian Province Port Group Limited Liability Company becoming the controlling shareholder of Xiamen Port Holding after the integration of Fujian port resources. For details, please refer to the announcement of the Company dated 30 June 2021.
- ⑤ Xiangyu Logistics, formerly had been a substantial shareholder of Xiamen Terminal Group (a direct subsidiary of the Company), and therefore been a connected person at the subsidiary level of the Company. And since 23 December 2021 Xiangyu Logistics is no longer a connected person of the Company as it had transferred its 10% equity interest in Xiamen Terminal Group to the Company. On 20 August 2021, the annual cap for the connected transaction of mutual trade between the Group and Xiangyu Logistics has been revised from RMB221,000,000 to RMB371,000,000 (being fee receivable by the Group) during the year of 2021, and the amount has been revised from RMB507,000,000 to RMB857,000,000 (being fee payable by the Group) during the year of 2021.
- ⑥ Xiamen ITG Holding Group Co., Ltd. is an associate of Xiamen ITG which formerly had been a substantial shareholder of Xiamen Terminal Group (a direct subsidiary of the Company), and therefore was a connected person at the subsidiary level of the Company. And since 5 January 2022 Xiamen ITG Holding Group Co., Ltd. is no longer a connected person of the Company as Xiamen ITG and Pointer Investment had transferred their aggregate 10% equity interest in Xiamen Terminal Group to the Company. On 20 August 2021, the annual cap for the connected transaction of mutual trade between the Group and Xiamen ITG Holding Group Co., Ltd. has been revised from RMB221,000,000 to RMB451,000,000 (being fee receivable by the Group) during the year of 2021, and the amount has been revised from RMB507,000,000 to RMB1,237,000,000 (being fee payable by the Group) during the year of 2021.
- ⑦ Xiamen Haitou Supply Chain Operation Co., Ltd. is an associate of Xiamen Haicang Investment Group Co., Ltd. which is a substantial shareholder of Xiamen Haicang Xinhaida Container Terminal Co., Ltd. (an indirect subsidiary of the Company), and therefore is a connected person at the subsidiary level of the Company.

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

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

- (1) in the ordinary and usual course of business of the Company and the Group (where appropriate);
- (2) either on normal commercial terms or better; and
- (3) according to the relevant agreements governing the relevant transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Report of the Directors

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

- (1) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board;
- (2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- (3) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the agreements related to such transactions; and
- (4) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company in respect of each of the disclosed continuing connected transactions.

A copy of the auditors' letter has been submitted by the Company to the Stock Exchange.

Details of significant related party transactions undertaken in the ordinary and usual course of business are set out in Note 37 to the consolidated financial statements. None of the related party transactions constitutes a connected transaction that should be disclosed, except for the above connected transactions, in respect of which the disclosure requirements in accordance with Chapter 14A to the Listing Rules have been complied with.

Report of the Directors

PENSION SCHEME

Pursuant to the relevant laws and regulations of the PRC and Xiamen Municipal Government regarding the administration of corporate annuity, the Group has implemented corporate annuity schemes combined with its actual situation. According to the statistics, the aggregate corporate contribution of the Group to the corporate annuity for the Year was approximately RMB35,432,200, of which the aggregate contribution of the Company to the corporate annuity was approximately RMB636,600.

The abovementioned corporate annuity is a contribution scheme. The forfeited contribution may be used by the Group. As at 31 December 2021, the forfeited contribution available for the use of the Group amounted to RMB1,676,817.2. The Group had not utilised the forfeited contribution during the Year.

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

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2021 are set out in note 23 of the Notes to the consolidated financial statements.

ENTRUSTED DEPOSITS AND OVERDUE DEPOSITS

As at 31 December 2021, the Group did not make any entrusted deposit with financial institutions in the PRC nor was there any overdue term deposit irrecoverable.

TAXATION

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

As approved by Xia Ke Lian [2019] No.23 and Xia Ke Lian [2021] No.20 issued by Xiamen Municipal Science and Technology Bureau, Xiamen Municipal Taxation Bureau and other government departments, Xiamen Container Terminal Group, Songyu Terminal and Hairun Terminal, being subsidiaries of the Company, are recognized as technologically-advanced service companies respectively, and therefore such three enterprises are entitled to corporate income tax reduction followed by the tax rate of 15% for the year ended 31 December 2021 according to Cai Shui [2018] No. 44 issued by the Ministry of Finance, the

Report of the Directors

State Administration of Taxation and other government departments of China (2020, the applicable income tax rate of Xiamen Container Terminal and Songyu Terminal was 15%, and the applicable rate of Hairun Terminal was 25%).

Trend Wood Investments Limited (“Trend Wood”, (紀成投資有限公司)), Xiamen Ocean Shipping Agency (Hong Kong) Limited (“Hong Kong Ocean Shipping Agency”, (廈門外輪代理(香港)有限公司)) and Xiamen Port Haiheng (Hong Kong) Limited (“Haiheng (Hong Kong)”, (廈門港務海衡(香港)有限公司)), all being subsidiaries of the Company, are incorporated in Hong Kong, thus their applicable income tax rate is 16.5%. Hong Kong profits tax has been provided for at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits for the Year.

Except for Xiamen Container Terminal Group, Songyu Terminal, Hairun Terminal, Trend Wood, Hong Kong Ocean Shipping Agency and Haiheng (Hong Kong), the Company and other subsidiaries of the Company are subjected to income tax rate of 25% for the year ended 31 December 2021 (2020: 25%).

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

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

Report of the Directors

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

The consolidated financial statements in this annual report have been audited by PricewaterhouseCoopers, Certified Public Accountants in Hong Kong, who will retire at the forthcoming annual general meeting. The Company will propose a resolution to re-appoint the auditors at the forthcoming annual general meeting.

By order of the Board

CAI Liqun

Chairman

Xiamen, the PRC

25 March 2022

Report of the Supervisory Committee

To Shareholders of Xiamen International Port Co., Ltd :

The supervisory committee of the Company (the “Supervisory Committee”) hereby presents the report of the Supervisory Committee.

I. STATUS OF THE SUPERVISORY COMMITTEE IN 2021

In the year of 2021, all members of the Supervisory Committee had been keeping their promises and discharging their supervisory duties faithfully pursuant to the provisions of the Company Law, the Articles, the Listing Rules and other applicable laws and regulations on the basis of diligence and integrity so as to safeguard the interests of the Company and its shareholders as a whole.

In the year of 2021, the Supervisory Committee convened a total of two meetings in total, mainly for reviewing and approving the financial documents including the annual report and the interim report of the Company and the working report of the Supervisory Committee in 2020 by carrying specific resolutions.

During the Reporting Period, members of the Supervisory Committee had monitored and reviewed the agendas of the Board meetings and the general meetings, the relevant resolutions passed and their implementations by attending all the Board meetings held in 2021 and all general meetings held during the Reporting Period, were reported on the working and financial situation concerning the operations of the Company, reviewed the financial report and audit report and were reported by the external auditors on their audit work of the Company. The Supervisory Committee is of the opinion that the Directors and senior management of the Company were capable of performing their duties conscientiously according to the resolutions passed at the general meetings or by the Board.

Report of the Supervisory Committee

II. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE IN RESPECT OF RELEVANT MATTERS OF THE COMPANY IN 2021

1. Operation of the Company in compliance with the law

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

2. Financial position of the Company

For the financial year ended 31 December 2021, the Supervisory Committee had carefully audited the financial report of the Company, the profit distribution proposal of the Company and the auditors' report issued by the auditors of the Company, PricewaterhouseCoopers, Certified Public Accountants in Hong Kong, and other relevant information. The Supervisory Committee is of the opinion that during the Reporting Period, the financial condition of the Company was sound with standardized financial management strictly implemented. The abovementioned financial report of the Company provides an objective, fair and true view of the financial conditions and the operating results of the Company for the Reporting Period. The Supervisory Committee concurred with the auditors' opinions and also opined that the relevant profit distribution proposal was in line with the Company's current status of operation.

Report of the Supervisory Committee

3. Connected transactions of the Company

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

In 2022, all members of the Supervisory Committee will continue to strictly discharge their duties pursuant to the authorities conferred by the laws, regulations and the Articles and abide by the principle of good faith, reinforce on supervision in order to practically safeguard and protect the interests of the Company and its shareholders as a whole.

By order of the Supervisory Committee

XIAMEN INTERNATIONAL PORT CO., LTD

DU Hongjia

Chairman of the Supervisory Committee

Xiamen, the PRC

25 March 2022

Independent Auditor's Report



羅兵咸永道

TO THE SHAREHOLDERS OF XIAMEN INTERNATIONAL PORT CO., LTD

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

OPINION

What we have audited

The consolidated financial statements of Xiamen International Port Co., Ltd (the "Company") and its subsidiaries (the "Group"), which are set out on pages 109 to 117, comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independent Auditor's Report



羅兵咸永道

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

Independent Auditor's Report



羅兵咸永道

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

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Non-current assets (including goodwill) impairment assessments for container loading and unloading and storage business segment</p> <p><i>Reference is made to Notes 4.1, 5, 6, 7, 8 and 26 in the consolidated financial statements.</i></p> <p>As at 31 December 2021, the carrying amounts of non-current assets of the Group's container loading and unloading and storage ("CLUS") business segment includes goodwill of RMB129 million and other non-current assets amounting to RMB11,392 million.</p> <p>Management is required to perform goodwill impairment review annually or more frequently if a potential impairment is indicated. Management is also required to perform impairment review on other non-current assets when there is an impairment indicator.</p> <p>In view of the fact that the net asset value of CLUS business segment is higher than the Company's market capitalisation, management assessed the recoverability of the carrying amounts of non-current assets (including goodwill) for CLUS business segment. The recoverable amounts of non-current assets (including goodwill) of CGUs business segment have been determined based on value-in-use calculations.</p> <p>We focused on this area because management is required to exercise considerable judgements and estimates in determining the recoverable amounts of the non-current assets (including goodwill), based on various assumptions including sales volume, sales price, gross margin, growth rate and pre-tax discount rate.</p>	<p>We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity and subjectivity.</p> <p>Our procedures in relation to the impairment assessments of non-current assets (including goodwill) of CLUS business segment included:</p> <p>We evaluated and validated the processes and controls designed and operated by the Group relating to the assessment of the recoverable amounts of non-current assets (including goodwill) for CLUS business segment.</p> <p>We reviewed the valuation methodology used by management to determine its compliance with accounting standards.</p> <p>With support of our internal valuation expert, we evaluated the appropriateness of discount rate used by management. We also corroborated the key assumptions of future cash flows, including sales volume, sales price, gross margin, growth rate and challenged whether these were appropriate in light of historical trends and independent future market analysis.</p> <p>We tested the mathematical accuracy of the relevant value-in-use calculations prepared by management. We also evaluated the sensitivity analysis around the key assumptions used in the calculations to ascertain the extent of change in those assumptions that either individually or collectively would be required for the non-current assets (including goodwill) to be impaired and also considered the likelihood of such a change in those key assumptions arising.</p> <p>Based on our work performed, we considered the methodology used by management was appropriate and the key assumptions applied in the value-in-use calculations were supportable by evidence.</p>



羅兵咸永道

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in Xiamen International Port Co., Ltd 2021 Annual Report (the "annual report") other than the consolidated financial statements and our auditor's report thereon. We have obtained some of the other information including the financial highlights, chairman's statement, management discussion and analysis, report of the directors, report of the supervisory committee prior to the date of this auditor's report. The remaining other information, including the corporate information, corporate profile, corporate governance report, biographies of directors, supervisors and senior management and the other sections to be included in the annual report, are expected to be made available to us after that date.

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

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

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

When we read the remaining other information to be included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee and take appropriate action considering our legal rights and obligations.

Independent Auditor's Report



羅兵咸永道

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

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

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

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

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

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



羅兵咸永道

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve: collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor's Report



羅兵咸永道

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

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

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

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

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 25 March 2022

Consolidated Balance Sheet

As at 31 December 2021

As at 31 December			
	Note	2021 RMB'000	2020 RMB'000 (Restated, Note 36)
ASSETS			
Non-current assets			
Investment properties	5	169,094	153,978
Property, plant and equipment	6	12,857,042	12,846,526
Intangible assets	7	188,998	188,063
Right-of-use assets	8	4,671,060	4,802,720
Interests in joint ventures	10	132,628	121,178
Interests in associates	11	184,458	169,758
Financial assets at fair value through other comprehensive income	12	13,893	61,705
Long-term receivables and prepayments	16	5,277	1,571
Deferred income tax assets	13	280,109	257,862
Total non-current assets		18,502,559	18,603,361
Current assets			
Inventories	14	1,872,517	1,529,641
Accounts receivable	15	1,107,941	1,291,799
Other receivables and prepayments	16	1,048,850	1,393,045
Financial assets at fair value through other comprehensive income	12	81,053	91,677
Financial assets at fair value through profit or loss	12	45,817	1,993,941
Term deposits with initial term over three months	17	800,000	250,000
Restricted cash	18	40,496	47,303
Cash and cash equivalents	19	2,971,304	719,738
Derivative financial instrument		—	540
Total current assets		7,967,978	7,317,684
Total assets		26,470,537	25,921,045
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	2,726,200	2,726,200
Reserves	25	3,160,423	3,988,818
Capital and reserves attributable to owners of the Company		5,886,623	6,715,018
Non-controlling interests		4,776,122	6,754,416
Total equity		10,662,745	13,469,434

Consolidated Balance Sheet

As at 31 December 2021

		As at 31 December	
	Note	2021 RMB'000	2020 RMB'000 (Restated, Note 36)
LIABILITIES			
Non-current liabilities			
Borrowings	23	3,691,829	878,529
Deferred government grants and income	22	105,326	119,077
Long-term payables and advances	21	1,662	1,704
Lease liabilities	8	109,446	121,664
Deferred income tax liabilities	13	387,191	398,698
Total non-current liabilities		4,295,454	1,519,672
Current liabilities			
Accounts and notes payable	20	1,886,082	1,840,281
Contract liabilities		506,584	506,844
Other payables and accruals	21	851,579	801,095
Borrowings	23	8,073,342	7,603,576
Lease liabilities	8	107,159	111,302
Provisions		—	9,021
Taxes payable		87,332	59,820
Derivative financial instrument		260	—
Total current liabilities		11,512,338	10,931,939
Total liabilities		15,807,792	12,451,611
Total equity and liabilities		26,470,537	25,921,045

The notes on pages 118 to 240 are an integral part of these consolidated financial statements.

The financial statements on pages 109 to 117 were approved by the Board of Directors on 25 March 2022 and were signed on its behalf by:

Cai Liquan

Director

Chen Zhaohui

Director

Consolidated Income Statement

For the year ended 31 December 2021

Year ended 31 December			
	Note	2021 RMB'000	2020 RMB'000 (Restated, Note 36)
Revenues	26	25,690,112	17,691,738
Cost of sales	29	(24,314,576)	(16,480,581)
Gross profit		1,375,536	1,211,157
Other income	26	349,367	367,507
Other gains/(losses) — net	27	52,549	(32,597)
Selling and marketing expenses	29	(67,370)	(45,903)
General and administrative expenses	29	(486,652)	(428,142)
Net impairment loss provision on financial assets		(22,202)	(31,008)
Operating profit		1,201,228	1,041,014
Finance income	30	50,216	27,305
Finance costs	30	(303,157)	(283,785)
		948,287	784,534
Share of profits less losses of joint ventures	10	9,226	7,529
Share of profits less losses of associates	11	26,308	6,478
Profit before income tax		983,821	798,541
Income tax expense	31(b)	(214,711)	(210,539)
Profit for the year		769,110	588,002
Profit for the year attributable to:			
Owners of the Company		413,960	267,685
Non-controlling interests		355,150	320,317
		769,110	588,002
Earnings per share for profit attributable to owners of the Company			
— Basic and diluted (in RMB cents)	33	15.18	9.82

The notes on pages 118 to 240 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000 (Restated, Note 36)
Profit for the year	769,110	588,002
Other comprehensive income, net of tax		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
— Changes in the fair value of financial assets at fair value through other comprehensive income, net of tax	2,648	(8,305)
Total comprehensive income for the year	771,758	579,697
Total comprehensive income for the year attributable to:		
— Owners of the Company	416,608	259,380
— Non-controlling interests	355,150	320,317
	771,758	579,697

The notes on pages 118 to 240 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company				Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (Note 24)	Other reserves RMB'000 (Note 25)	Retained earnings RMB'000 (Note 25)	Total RMB'000		
Balance at 1 January 2020 (Previously reported)	2,726,200	(256,434)	3,177,618	5,647,384	6,726,742	12,374,126
Business combination under common control (Note 36)	—	921,762	(21,566)	900,196	—	900,196
Balance at 1 January 2020 (Restated, Note 36)	2,726,200	665,328	3,156,052	6,547,580	6,726,742	13,274,322
Comprehensive income						
Profit for the year (Restated, Note 36)	—	—	267,685	267,685	320,317	588,002
Other comprehensive income						
Changes in the fair value of financial assets at fair value through other comprehensive income	—	(8,305)	—	(8,305)	—	(8,305)
— Gross	—	(11,073)	—	(11,073)	—	(11,073)
— Related deferred income tax	—	2,768	—	2,768	—	2,768
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	—	(17,722)	17,722	—	—	—
— Gross	—	(23,628)	23,628	—	—	—
— Related deferred income tax	—	5,906	(5,906)	—	—	—
Total comprehensive income	—	(26,027)	285,407	259,380	320,317	579,697

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company				Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (Note 24)	Other reserves RMB'000 (Note 25)	Retained earnings RMB'000 (Note 25)	Total RMB'000		
Transactions with owners in their capacity as owners:						
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	54,150	54,150
Disposal of partial ownership interest in a subsidiary	—	—	—	—	(5,247)	(5,247)
Addition of partial ownership interest in a subsidiary	—	(23,787)	—	(23,787)	17,731	(6,056)
2019 final dividends	—	—	(68,155)	(68,155)	—	(68,155)
Profit appropriation	—	24,654	(24,654)	—	—	—
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	(359,277)	(359,277)
Total transactions with owners in their capacity as owners	—	867	(92,809)	(91,942)	(292,643)	(384,585)
Balance at 31 December 2020 (Restated, Note 36)	2,726,200	640,168	3,348,650	6,715,018	6,754,416	13,469,434

The notes on pages 118 to 240 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company				Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (Note 24)	Other reserves RMB'000 (Note 25)	Retained earnings RMB'000 (Note 25)	Total RMB'000		
Balance at 1 January 2021 (Restated, Note 36)	2,726,200	640,168	3,348,650	6,715,018	6,754,416	13,469,434
Comprehensive income						
Profit for the year	—	—	413,960	413,960	355,150	769,110
Other comprehensive income						
Changes in the fair value of financial assets at fair value through other comprehensive income	—	2,648	—	2,648	—	2,648
— Gross	—	3,531	—	3,531	—	3,531
— Related deferred income tax	—	(883)	—	(883)	—	(883)
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	—	2,253	(2,253)	—	—	—
— Gross	—	3,003	(3,003)	—	—	—
— Related deferred income tax	—	(750)	750	—	—	—
Total comprehensive income	—	4,901	411,707	416,608	355,150	771,758
Transactions with owners in their capacity as owners						
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	51,450	51,450
Business combination under common control (Notes 25 and 36)	—	(970,588)	—	(970,588)	—	(970,588)
Transactions with non-controlling shareholders of subsidiaries (Note 9(b))	—	(198,081)	—	(198,081)	(2,166,017)	(2,364,098)
2020 final dividends	—	—	(76,334)	(76,334)	—	(76,334)
Profit appropriation	—	12,801	(12,801)	—	—	—
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	(218,877)	(218,877)
Total transactions with owners in their capacity as owners	—	(1,155,868)	(89,135)	(1,245,003)	(2,333,444)	(3,578,447)
Balance at 31 December 2021	2,726,200	(510,799)	3,671,222	5,886,623	4,776,122	10,662,745

The notes on pages 118 to 240 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

		Year ended 31 December	
	Note	2021 RMB'000	2020 RMB'000 (Restated, Note 36)
Cash flows from operating activities			
Net cash generated from operations	34(a)	2,412,905	1,868,810
Interest paid		(268,604)	(252,079)
Income tax paid		(222,586)	(201,175)
Net cash generated from operating activities		1,921,715	1,415,556
Cash flows from investing activities			
Purchases of property, plant and equipment, intangible assets and land use rights		(753,419)	(557,092)
Proceeds from disposal of property, plant and equipment and intangible assets		10,055	11,146
Government grants for property, plant and equipment		425	1,394
Capital injection to an associate	11	—	(131,019)
Capital injection to joint ventures	10	(4,529)	(6,629)
Proceeds from sale of a subsidiary, net of cash disposed	27	—	75,040
Interest received		52,185	25,046
Dividends received		17,380	6,400
Cash received from disposal/(paid for acquisition) of financial assets at fair value through profit and loss		1,948,124	(1,754,736)
Payments for business combination under common control	36	(970,588)	—
Purchase of interests from non-controlling shareholders of a subsidiary	25	(2,364,098)	—
Payments for business combinations under non-common control		—	(16,250)
Cash received from disposal of financial assets at fair value through other comprehensive income		60,759	33,845
Cash paid for acquisition of financial assets at fair value through other comprehensive income		(6,351)	(60,582)
Increase in restricted cash		(2,173)	(15,214)
Decrease in restricted cash		8,980	3,641
Increase in term deposits with initial term of over three months		(620,000)	(300,000)
Decrease in term deposits with initial term of over three months		70,000	700,187
Net cash used in investing activities		(2,553,250)	(1,984,823)

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

Year ended 31 December			
	Note	2021 RMB'000	2020 RMB'000 (Restated, Note 36)
Cash flows from financing activities			
Proceeds from borrowings		10,862,812	9,525,854
Repayments of borrowings		(7,656,340)	(9,570,249)
Contribution from non-controlling shareholders of subsidiaries		51,450	54,150
Payments of principal portions of lease liabilities		(109,811)	(206,794)
Loans from related parties		1,060,000	65,550
Repayment of loan from a related party		(1,031,032)	(6,000)
Dividends paid to owners of the Company		(76,334)	(68,155)
Dividends paid to non-controlling shareholders of subsidiaries		(218,084)	(380,365)
Net cash generated from/(used in) financing activities		2,882,661	(586,009)
Net increase/(decrease) in cash and cash equivalents		2,251,126	(1,155,276)
Cash and cash equivalents at beginning of year		719,738	1,883,832
Effects of exchange rate changes on cash and cash equivalents		440	(8,818)
Cash and cash equivalents at end of year	19	2,971,304	719,738

The notes on pages 118 to 240 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

1. General information

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

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

The Directors of the Company regard Xiamen Port Holding Group Co., Ltd. ("XPHG", a company established in the PRC) as being the immediate parent company of the Company.

These consolidated financial statements were approved for issue by the board of directors of the Company (the "Board") on 25 March 2022.

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

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

On 10 December 2021, Xiamen Container Terminal Group Company Limited ("XCTG"), a subsidiary of the Company, acquired a 100% equity interest of Xiamen Port Haitong Terminal Company Limited ("Haitong Terminal"), which are under common control of XPHG.

The Company has applied merger accounting as prescribed in Hong Kong Accounting Guideline 5 Merger Accounting for Common Control Combinations issued by the HKICPA to account for the business combinations under common control. Haitong Terminal has been under control of XPHG from its start of operation in 2010. Therefore, the financial information of Haitong Terminal has been combined in the consolidated financial statements of the Company as if the combination had occurred since then. The comparative amounts in the consolidated financial statements are restated accordingly.

As at 31 December 2021, the Group's current liabilities exceeded current assets by RMB3,544 million. As at 31 December 2021, the available unused financing facilities of the Group amounted to RMB24,719 million. Based on the cash inflows from operating activities and the financing facilities available to the Group, the Board believes that the Group will continue to receive sufficient finance to support the operation and debt repayment and capital expenditure during at least twelve months from the date of these financial statements. Accordingly, these financial statements are prepared on going-concern basis.

Changes in accounting policies and disclosures

(a) New amendments adopted by the Group in 2021

The following amendments of HKFRSs have been adopted by the Group for the first time for the financial year beginning 1 January 2021:

	Effective for annual periods beginning on or after
Amendments to HKFRS 16	
Covid-19-related Rent Concessions	1 January 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	1 January 2021
Interest Rate Benchmark Reform — Phase 2	

The amendments did not have any significant impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Changes in accounting policies and disclosures (continued)

(b) New standard and amendments not yet adopted

The following new standard and amendments of HKFRSs have been published but are not mandatory for the Group's accounting year beginning on 1 January 2021 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 16	Property, plant and equipment — proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous contracts — cost of fulfilling a contract	1 January 2022
Amendments to HKFRS 3	Reference to the conceptual Framework	1 January 2022
Improvements to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020	1 January 2022
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

2. Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

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

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

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

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

2.2.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see 2.2.4 below), after initially being recognised at cost.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting (continued)

2.2.3 Joint arrangements

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

Interests in joint ventures are accounted for using the equity method (see 2.2.4 below), after initially being recognised at cost in the consolidated balance sheet.

2.2.4 Equity method

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting (continued)

2.2.5 Changes in ownership interests

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.3 Business combinations

(a) Business combinations under common control

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

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

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

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

(b) Business combinations not under common control

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.3 Business combinations (continued)

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

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

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

Acquisition-related costs are expensed as incurred.

2.4 Separate financial statements

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

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

2. Summary of significant accounting policies (continued)

2.6 Foreign currency translation (continued)

(b) Transactions and balances (continued)

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

2.7 Investment properties

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

2.8 Property, plant and equipment

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.8 Property, plant and equipment (continued)

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

2.9 Right-of-use assets

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

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

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

(a) Land use rights

Land use rights represent prepaid operating lease payments for land less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments for land over the lease periods of 26 to 50 years.

(b) Port line use rights

Port line use rights are stated at cost less accumulated amortisation and accumulated impairment losses. Cost represents consideration paid for the rights to use the port lines for periods of 48 years. Amortisation of port line use rights are calculated on the straight-line method over the period of the port line use rights of 48 years.

(c) Sea area use rights

Sea area use rights are stated at cost less accumulated amortisation and accumulated impairment losses. Cost represents consideration paid for the rights to use the sea area for periods of 48 years. Amortisation of sea area use rights are calculated on the straight-line method over the period of the sea area use rights of 48 years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.9 Right-of-use assets (continued)

(d) Other finance lease assets

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

2.10 Intangible assets

(a) Computer software

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

(b) Goodwill

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

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

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

2. Summary of significant accounting policies (continued)

2.11 Impairment of non-financial assets

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

2.12 Investments and other financial assets

(a) Classification

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.12 Investments and other financial assets (continued)

(b) Recognition and derecognition

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

(c) Measurement

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

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

Debt instruments

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

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

2. Summary of significant accounting policies (continued)

2.12 Investments and other financial assets (continued)

(c) **Measurement** (continued)

Debt instruments (continued)

- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated income statement.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.12 Investments and other financial assets (continued)

(c) **Measurement** (continued)

Equity instruments (continued)

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

(d) **Impairment**

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

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

2.13 Offsetting financial instruments

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

2. Summary of significant accounting policies (continued)

2.14 Non-current assets held for sale and discontinued operations

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

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

2.15 Inventories

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

2.16 Accounts and other receivables

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.17 Cash and cash equivalents

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

2.18 Share capital

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

2.19 Accounts and other payables

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

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

2.20 Borrowings

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.21 Borrowing costs

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.22 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

2. Summary of significant accounting policies (continued)

2.22 Current and deferred income tax (continued)

(b) *Deferred income tax* (continued)

Outside basis differences

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

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

(c) *Offsetting*

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

2.23 Employee benefits

(a) *Retirement benefit obligations*

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.23 Employee benefits (continued)

(b) Early retirement benefits

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

(c) Housing benefits

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

2.24 Provisions

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.25 Government grants and subsidies

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

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

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

2.26 Recognition of revenue and income

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

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

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

(a) Revenue from container loading and unloading and storage

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.26 Recognition of revenue and income (continued)

(c) Revenue from comprehensive port logistic services

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

(d) Revenue from sales of building materials

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

(e) Revenue from merchandise trading

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

(f) Interest income

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

(g) Rental income

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

(h) Dividend income

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

2. Summary of significant accounting policies (continued)

2.27 Leases

(a) The Group as lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.27 Leases (continued)

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

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

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

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

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

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

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

2. Summary of significant accounting policies (continued)

2.27 Leases (continued)

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

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

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

(b) *The Group as lessor*

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.28 Contingent liabilities and contingent assets

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

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

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

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

2.29 Dividend distribution

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. Financial risk management

3.1 Financial risk factors

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

(a) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. However, foreign currencies are required to settle the Group's purchases of finished goods and merchandise and certain expenses. RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. Details of the Group's cash and bank balances, Accounts receivable, Accounts payable and borrowings as at 31 December 2021 which are denominated in currencies other than RMB (primarily with respect to United States Dollars ("USD"), European Dollars ("EUR"), Canadian Dollars ("CAD"), Australian Dollar ("AUD") and Hong Kong Dollars ("HKD") (collectively the "Non-functional Currency Financial Assets/Liabilities"), are disclosed in Notes 15, 19, 20 and 23 respectively.

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

At 31 December 2021, if RMB had weakened/strengthened by 5% against the USD with all other variables held constant, the Group's pre-tax profit for the year would have been RMB32,923,267 lower/higher (2020: RMB4,253,200 higher/lower); If RMB had weakened/strengthened by 5% against the EUR with all other variables held constant, the Group's pre-tax profit for the year would have been RMB166,885 lower/higher (2020: RMB7,375,139 lower/higher); if RMB had weakened/strengthened by 5% against the HKD with all other variables held constant, the Group's pre-tax profit for the year would have been RMB13,893 higher/lower (2020: RMB47,000 lower/higher); if RMB had weakened/strengthened by 5% against the CAD with all other variables held constant, the Group's pre-tax profit for the year would have been RMB141,383 lower/higher (2020: Nil); if RMB had weakened/strengthened by 5% against the AUD with all other variables held constant, the Group's pre-tax profit for the year would have been RMB1,423,261 lower/higher (2020: Nil), mainly as a result of foreign exchange losses/gains on translation of the Non-functional Currency Financial Assets/Liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Foreign exchange risk (continued)

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in RMB, was as follows:

	31 December 2021			31 December 2020		
	USD RMB'000	EUR RMB'000	HKD RMB'000	USD RMB'000	EUR RMB'000	HKD RMB'000
Cash and cash equivalents	216,525	1	278	127,489	2	940
Accounts receivable	187,595	—	—	209,172	32	—
Bank loans	(45,268)	(3,338)	—	(11,102)	(147,536)	—
Accounts payable	(1,017,318)	(1)	—	(240,494)	—	—

(b) Interest rate risk

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

Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2021, approximately 68% (2020: 64% (as restated)) of the Group's borrowings are fixed interest rates borrowings. The effective interest rates and terms of repayment of the Group's borrowings are disclosed in Note 23.

At 31 December 2021, if interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, the Group's pre-tax profit for the year would have been RMB14,361,790 (2020: RMB11,753,828) lower/higher, mainly as a result of higher/lower finance costs on bank borrowings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Interest rate risk (continued)

The exposure of the Group's borrowings to interest rate changes and the contractual re-pricing dates of the borrowings at the end of the reporting period are as follows:

	2021 RMB'000	% of total loans	2020 RMB'000	% of total loans
Variable rate borrowings	3,805,134	32%	3,077,063	36%
Fixed rate borrowings — repricing or maturity dates:				
Less than 1 year	5,609,880	48%	5,405,041	64%
1–5 years	2,350,157	20%	1	0%
Over 5 years	—	0%	—	0%
	11,765,171	100%	8,482,105	100%

(c) Price risk

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

As at 31 December 2021, if market price of the listed equity securities had been 10% higher/lower with all other variables held constant, the carrying amounts of financial assets at fair value through other comprehensive income and the Group's total equity would have been increased/decreased by the same amount of RMB816,000 (2020: RMB5,603,430), excluding the tax effect.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Price risk (continued)

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

(d) Credit risk

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(d) Credit risk (continued)

(ii) Accounts receivable

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

The expected loss rates are based on the payment profiles of sales over a period of 12 to 36 month before 31 December 2021 or 31 December 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Baltic Dry Index and Consumer Price Index to be the most relevant factors of the Group, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(d) Credit risk (continued)

(ii) Accounts receivable (continued)

The closing loss allowances for trade receivables of different categories as at 31 December 2021 are listed as follows:

Category 1: Merchandise Trading Business

	Within 6 months	6–12 months	1–2 years	2–3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accounts receivable At 31 December 2021						
Expected loss rate	0.8%	0.8%	10.0%	50.0%	100.0%	
Gross carrying amount (excluding receivables assessed individually)	452,862	18,138	21,837	493	12,724	506,054
Loss allowance provision	3,623	145	2,184	246	12,724	18,922
Individually impaired receivables	—	—	—	29,303	15,251	44,554
Total loss allowance provision	3,623	145	2,184	29,549	27,975	63,476
Accounts receivable At 31 December 2020						
Expected loss rate	0.8%	0.8%	10.0%	50.0%	100.0%	
Gross carrying amount (excluding receivables assessed individually)	415,912	54,763	593	8	24,789	496,065
Loss allowance provision	3,327	439	59	4	24,789	28,618
Individually impaired receivables	—	—	14,740	1,673	17,393	33,806
Total loss allowance provision	3,327	439	14,799	1,677	42,182	62,424

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(d) Credit risk (continued)

(ii) Accounts receivable (continued)

Category 2: Port Related Business

	Within 6 months RMB'000	6-12 months RMB'000	1-2 years RMB'000	2-3 years RMB'000	Over 3 years RMB'000	Total RMB'000
Accounts receivable At 31 December 2021						
Expected loss rate	0.5%	0.5%	10.0%	50.0%	100.0%	
Gross carrying amount (excluding receivables assessed individually)	504,124	23,718	12,103	42	15,935	555,922
Loss allowance provision	2,521	119	1,210	21	15,935	19,806
Individually impaired receivables	—	—	—	—	—	—
Total loss allowance provision	2,521	119	1,210	21	15,935	19,806
Accounts receivable At 31 December 2020						
Expected loss rate	0.5%	0.5%	10.0%	50.0%	100.0%	
Gross carrying amount (excluding receivables assessed individually)	727,461	7,761	942	701	29,734	766,599
Loss allowance provision	3,626	39	94	350	29,734	33,843
Individually impaired receivables	—	—	—	—	—	—
Total loss allowance provision	3,626	39	94	350	29,734	33,843

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(d) Credit risk (continued)

(iii) Other receivables

The Group applies the IFRS 9 three-stage approach to measure ECL for other receivables. Other receivables comprise: advances to suppliers, value-added tax to be deducted, deposit and others. Since the credit risk of other receivables are considered not significantly increase since initial recognition, therefore the impairment provision is determined as 12 months ECL. As at 31 December 2021, RMB49 million (2020: RMB47 million) were provided as loss allowance for other receivables.

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

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

(e) Liquidity risk

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(e) Liquidity risk (continued)

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Group						
At 31 December 2021						
Borrowings	8,117,873	783,798	2,647,918	704,422	12,254,011	11,765,171
Lease liabilities	113,910	100,882	12,632	—	227,424	216,605
Long-term payables and advances	45	48	166	1,403	1,662	1,662
Accounts and notes payable	1,886,082	—	—	—	1,886,082	1,886,082
Other payables and accruals	851,579	—	—	—	851,579	851,579
	10,969,489	884,728	2,660,716	705,825	15,220,758	14,721,099

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Group						
At 31 December 2020						
(Restated, Note 36)						
Borrowings	7,699,270	121,954	402,749	593,226	8,817,199	8,482,105
Lease liabilities	118,369	77,493	45,846	5,090	246,798	232,966
Long-term payables and advances	42	45	156	1,461	1,704	1,704
Accounts and notes payable	1,840,281	—	—	—	1,840,281	1,840,281
Other payables and accruals	801,095	—	—	—	801,095	801,095
	10,459,057	199,492	448,751	599,777	11,707,077	11,358,151

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(e) Liquidity risk (continued)

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2021 RMB'000	2020 RMB'000
Floating rate		
— Expiring within one year	16,381,030	9,825,563
— Expiring beyond one year	8,337,712	10,092,466
	24,718,742	19,918,029

3.2 Capital risk management

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. Financial risk management (continued)

3.2 Capital risk management (continued)

During 2021, the Group's strategy, which was approximately unchanged from 2020, was to maintain a gearing ratio no more than 50%. The gearing ratios at 31 December 2021 and 2020 were as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000 (Restated, Note 36)
Total borrowings (Note 23)	11,765,171	8,482,105
Less: cash and cash equivalents (Note 19)	(2,971,304)	(719,738)
Net debt	8,793,867	7,762,367
Total equity	10,662,745	13,469,434
Total capital	19,456,612	21,231,801
Gearing ratio (%)	45.20%	36.56%

The increase in the gearing ratio during 2021 resulted increase in total borrowings (Note 23) during the year.

3.3 Fair value estimation

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

The following table presents the Group's assets that are measured at fair value at 31 December 2021.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through other comprehensive income	8,160	—	86,786	94,946
— Equity investments listed in the mainland of PRC	8,160	—	—	8,160
— Notes receivables	—	—	81,053	81,053
— Unlisted equity investments	—	—	5,733	5,733
Financial assets at fair value through profit or loss	4	—	45,813	45,817
— Wealth management products	—	—	45,813	45,813
— Structure deposit	—	—	—	—
— National debt reverse repurchase	4	—	—	4

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through other comprehensive income	56,034	—	97,348	153,382
— Equity investments listed in the mainland of PRC	56,034	—	—	56,034
— Notes receivables	—	—	91,677	91,677
— Unlisted equity investments	—	—	5,671	5,671
Financial assets at fair value through profit or loss	546,941	1,400,000	47,000	1,993,941
— Wealth management products	—	—	47,000	47,000
— Structure deposit	—	1,400,000	—	1,400,000
— National debt reverse repurchase	546,941	—	—	546,941

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

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

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

Specific valuation techniques used to value financial instruments include:

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

(c) Financial instruments in level 3

As at 31 December 2021, the Group classified the wealth management products as financial instruments in level 3. The fair value of wealth management products is approximately equal to their carrying amount due to short maturity.

4. Critical accounting estimates and assumptions

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

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

4.1 Impairments of non-current assets

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

4. Critical accounting estimates and assumption (continued)

4.1 Impairments of non-current assets (continued)

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

Specific assumptions and estimates involved in the cash flow projections for non-current assets impairment assessment are set out in Note 7.

4.2 Useful lives of property, plant and equipment

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. Critical accounting estimates and assumption (continued)

4.2 Useful lives of property, plant and equipment (continued)

For the year ended 31 December 2021, if the useful lives of property, plant and equipment differ by 10% from management's estimates, the Group would need to:

- increase the carrying amounts of property, plant and equipment and decrease the depreciation charge by RMB65,459,000, if favourable; or
- decrease the carrying amounts of property, plant and equipment and increase the depreciation charge by RMB65,459,000, if unfavourable.

4.3 Taxation

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

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

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

4. Critical accounting estimates and assumption (continued)

4.4 Net realisable value of inventories

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

Were the actual selling price of inventories different by 10% from management's estimates, the Group would need to decrease the carrying amounts of inventories and increase the provision for impairment of inventories by RMB25,782,051 (2020: RMB25,206,000), if unfavourable.

4.5 Provision for impairment of receivables

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

4.6 The progress and cost of construction in progress

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. Investment properties

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Opening net book amount	153,978	158,793
Additions	—	4,439
Transferred from property, plant and equipment (Note 6)	23,063	4,292
Transferred to property, plant and equipment (Note 6)	—	(5,723)
Disposal	(890)	—
Disposal of a subsidiary (Note 27)	—	(78)
Depreciation	(7,057)	(7,745)
Closing net book amount	169,094	153,978
Cost	243,104	216,022
Accumulated depreciation	(74,010)	(62,044)
Net book amount	169,094	153,978
Amounts recognised in profit or loss for investment properties		
Rental income from operating leases	59,106	52,267
Direct operating expenses from property that generated rental income	(7,057)	(7,745)

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

No independent valuation was carried out for the investment properties. As at 31 December 2021, the management estimated fair value of the Group's investment properties amounted to approximately RMB241,710,000 (2020: RMB195,849,000) by making reference to current market prices for similar properties in the similar location and condition with similar leasing arrangement.

Depreciation expense of RMB7,057,000 (2020: RMB7,745,000) has been charged in cost of sales (Note 29).

As at 31 December 2021, the Group had no unprovided contractual obligations for future repairs and maintenance (2020: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. Investment properties (continued)

As the net asset value of container loading and unloading and storage ("CLUS") business segment is higher than the Company's market capitalisation, management performed impairment assessment on non-current assets (including goodwill) belong to the CLUS business segment, which is also a CGU and includes investment properties (Note 26(b)), detailed impairment assessment of the CGU and key assumptions used are disclosed in Note 7(a). Based on the impairment assessment, no impairment was provided for investment properties of the CGU.

6. Property, plant and equipment

	Buildings RMB'000	Port infrastructure RMB'000	Storage infrastructure RMB'000	Loading machineries RMB'000	Other machineries RMB'000	Vehicles RMB'000	Vessels RMB'000	Furniture, fittings and equipment RMB'000	Construction- in-progress RMB'000	Total RMB'000
At 1 January 2020 (Restated, Note 36)										
Cost	857,298	8,501,696	1,046,487	3,461,862	820,031	206,441	616,344	347,809	1,315,471	17,173,439
Accumulated depreciation	(257,383)	(1,271,381)	(291,399)	(1,439,973)	(333,557)	(128,457)	(331,885)	(228,452)	–	(4,282,487)
Accumulated impairment losses	–	(1,823)	–	(1,499)	(3,300)	–	–	(4)	–	(6,626)
Net book amount	599,915	7,228,492	755,088	2,020,390	483,174	77,984	284,459	119,353	1,315,471	12,884,326
Year ended 31 December 2020										
Opening net book amount	599,915	7,228,492	755,088	2,020,390	483,174	77,984	284,459	119,353	1,315,471	12,884,326
Additions	6,600	20,907	3,315	52,759	21,055	16,415	–	32,210	447,818	601,079
Transferred from construction-in-progress	176,875	437,871	44,086	73,370	22,288	578	–	37,200	(792,268)	–
Transferred from investment properties (Note 5)	5,723	–	–	–	–	–	–	–	–	5,723
Transferred to investment properties (Note 5)	(4,292)	–	–	–	–	–	–	–	–	(4,292)
Transferred to intangible assets (Note 7)	–	–	–	–	–	–	–	–	(6,337)	(6,337)
Disposals (Note 27)	(302)	(850)	(6)	(2,961)	(559)	(1,926)	–	(1,970)	–	(8,574)
Disposal of a subsidiary (Note 27)	(4,693)	–	(950)	–	(3,716)	(624)	–	(609)	(1,237)	(11,829)
Government subsidies	(744)	–	–	–	–	–	–	(141)	–	(885)
Depreciation charge	(41,630)	(219,926)	(43,672)	(140,124)	(80,209)	(16,642)	(29,603)	(40,879)	–	(612,685)
Closing net book amount	737,452	7,466,494	757,861	2,003,434	442,033	75,785	254,856	145,164	963,447	12,846,526
At 31 December 2020 (Restated, Note 36)										
Cost	1,017,932	8,959,627	1,092,125	3,544,720	823,076	185,850	616,313	388,515	963,447	17,591,605
Accumulated depreciation	(280,480)	(1,491,310)	(334,264)	(1,539,787)	(378,508)	(110,065)	(361,457)	(243,347)	–	(4,739,218)
Accumulated impairment losses	–	(1,823)	–	(1,499)	(2,535)	–	–	(4)	–	(5,861)
Net book amount	737,452	7,466,494	757,861	2,003,434	442,033	75,785	254,856	145,164	963,447	12,846,526

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

6. Property, plant and equipment (continued)

	Buildings RMB'000	Port infrastructure RMB'000	Storage infrastructure RMB'000	Loading machineries RMB'000	Other machineries RMB'000	Vehicles RMB'000	Vessels RMB'000	Furniture, fittings and equipment RMB'000	Construction- in-progress RMB'000	Total RMB'000
Year ended 31 December 2021										
Opening net book amount	737,452	7,466,494	757,861	2,003,434	442,033	75,785	254,856	145,164	963,447	12,846,526
Additions	6,515	8,770	16,200	22,244	11,550	8,321	—	30,975	610,363	714,938
Transferred from construction-in-progress	104,545	197,302	133,301	37,628	10,810	391	59,027	18,500	(561,504)	—
Transferred to investment properties (Note 5)	(11,973)	(11,090)	—	—	—	—	—	—	—	(23,063)
Transferred to intangible assets (Note 7)	—	—	—	—	—	—	—	—	(5,039)	(5,039)
Disposals (Note 27)	—	(808)	(447)	(6,132)	(1,062)	(773)	—	(984)	—	(10,206)
Government subsidies	(100)	(124)	—	(42)	(159)	—	—	—	(11,100)	(11,525)
Depreciation charge	(45,297)	(240,867)	(39,898)	(153,977)	(78,951)	(16,278)	(27,207)	(52,114)	—	(654,589)
Closing net book amount	791,142	7,419,677	867,017	1,903,155	384,221	67,446	286,676	141,541	996,167	12,857,042
At 31 December 2021										
Cost	1,114,653	9,150,057	1,240,754	3,576,329	828,749	177,506	675,339	424,649	996,167	18,184,203
Accumulated depreciation	(323,511)	(1,728,557)	(373,737)	(1,671,675)	(441,993)	(110,060)	(388,663)	(283,104)	—	(5,321,300)
Accumulated impairment losses	—	(1,823)	—	(1,499)	(2,535)	—	—	(4)	—	(5,861)
Net book amount	791,142	7,419,677	867,017	1,903,155	384,221	67,446	286,676	141,541	996,167	12,857,042

For the year ended 31 December 2021, depreciation expense of RMB632,546,000, RMB365,000 and RMB21,678,000 (2020: RMB591,246,000, RMB243,000 and RMB21,196,000) (as restated) has been charged in cost of sales, selling and marketing expenses, general and administrative expenses respectively (Note 29).

During the year ended 31 December 2021, the Group has capitalised borrowing costs of RMB26,466,000 (2020: RMB37,555,000) on qualifying assets (Note 30). Borrowing costs were capitalised at the weighted average rate of its general borrowings of 3.79% (2020: 4.01%).

As the net asset value of CLUS business segment is higher than the Company's market capitalisation, management performed impairment assessment on non-current assets (including goodwill and property, plant and equipment) belong to the CLUS business segment, detailed impairment assessment of the CGU and key assumptions used are disclosed in Note 7(a). Based on the impairment assessment, no impairment was provided for property, plant and equipment of the CGU.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

7. Intangible assets

	Goodwill (Note 7 (a)) RMB'000	Computer software RMB'000	Total RMB'000
At 1 January 2020			
Cost	150,128	106,617	256,745
Accumulated amortisation	—	(69,407)	(69,407)
Net book amount	150,128	37,210	187,338
Year ended 31 December 2020			
Opening net book amount	150,128	37,210	187,338
Additions	—	4,850	4,850
Transferred from construction-in-progress (Note 6)	—	6,337	6,337
Government subsidies	—	(509)	(509)
Disposal	—	(21)	(21)
Disposal of a subsidiary (Note 27)	—	(257)	(257)
Amortisation	—	(9,675)	(9,675)
Closing net book amount	150,128	37,935	188,063
At 31 December 2020			
Cost	150,128	115,961	266,089
Accumulated amortisation	—	(78,026)	(78,026)
Net book amount	150,128	37,935	188,063

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

7. Intangible assets (continued)

	Goodwill (Note 7 (a)) RMB'000	Computer software RMB'000	Total RMB'000
Year ended 31 December 2021			
Opening net book amount	150,128	37,935	188,063
Additions	—	5,880	5,880
Transferred from construction-in-progress (Note 6)	—	5,039	5,039
Disposal	—	(45)	(45)
Amortisation	—	(9,939)	(9,939)
Closing net book amount	150,128	38,870	188,998
At 31 December 2021			
Cost	150,128	126,628	276,756
Accumulated amortisation	—	(87,758)	(87,758)
Net book amount	150,128	38,870	188,998

Amortisation expense of RMB3,855,000, RMB346,000 and RMB5,738,000 (2020: RMB3,648,000, RMB374,000 and RMB5,653,000) has been charged in cost of sales, selling and marketing expenses, general and administrative expenses respectively for the year ended 31 December 2021 (Note 29).

Impairment testing of goodwill

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

7. Intangible assets (continued)

Impairment testing of goodwill (continued)

(a) (continued)

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

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

For CLUS CGU, the key assumptions used in the value-in-use calculation in 2021 and 2020 are as follows.

	As at 31 December	
	2021	2020
Sales volume (% annual growth rate)	6%	6%
Sales price (% annual growth rate)	1%	1%
Gross margin (% of revenue)	43%	43%
Long term growth rate used to extrapolate cash flows beyond five-year period	2%	2%
Pre-tax discount rate	14%	14%

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

7. Intangible assets (continued)

Impairment testing of goodwill (continued)

(a) (continued)

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

As at 31 December 2021, there was sufficient headroom of the recoverable amount of non-current assets (including goodwill) (Note 26(b)) for CLUS CGU based on value-in-use calculation, hence no impairment provision was made against this CGU.

The Company performs the sensitivity analysis based on the assumption that the revenue amount or sales price or the discount rate has been changed. Had the estimated key assumptions during the forecast period been changed respectively, with all other variables held constant, the headroom would be decreased to as below:

As at 31 December		
	2021	2020
	In Millions of RMB	
		(Restated, Note 36)
— Sales volume decreases by 5%	1,391	1,072
— Sales price decreases by 5%	1,469	1,268
— Discount rate increases by 5%	917	797

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

8. Right-of-use assets

(a) Amounts recognised in the consolidated balance sheet

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000 (Restated, Note 36)
Right-of-use assets		
Properties	211,592	206,664
Equipment	302,758	309,488
Land use rights	3,756,995	3,875,316
Port line and sea area use rights	399,715	411,252
	4,671,060	4,802,720
Lease liabilities		
Current	107,159	111,302
Non-current	109,446	121,664
	216,605	232,966

Increase of the cost of right-of-use assets during the 2021 financial year was RMB78,007,000 (2020: RMB40,835,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

8. Right-of-use assets (continued)

(b) Amounts recognised in the consolidated income statement

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

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000 (Restated, Note 36)
Amortisation charges of right-of-use assets (Note 29)		
Properties	67,524	68,434
Equipment	13,043	15,709
Land use rights	119,687	120,720
Port line and sea area use rights	11,832	11,342
	212,086	216,205
Interest portions of lease liabilities (included in finance cost)	15,159	20,390
Expenses relating to short-term leases (included in cost of sales, general and administrative expenses)	22,661	31,081
Expenses relating to leases of low-value assets that are not shown above as short-term leases (include in general and administrative expenses)	51	37

The total cash outflow for leases in 2021 was RMB109,811,000 (2020: RMB206,794,000).

The Group leases various offices, warehouses and equipment. Rental contracts are typically made for fixed periods three years to five years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

9. Subsidiaries

The Group's principal subsidiaries at 31 December 2021 are set out below (Note 37). Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business

(a) Material non-controlling interests

The total non-controlling interests as at 31 December 2021 is RMB4,776,122,000 of which RMB2,491,670,000 is for Xiamen Port Development Co., Ltd. ("Xiamen Port Development" or "XPD") and RMB2,284,452,000 is attributed to Xiamen Terminal Group.

The total comprehensive income for non-controlling interests as at 31 December 2021 is RMB355,150,000, of which RMB129,574,000 is for XPD and RMB225,576,000 is attributed to Xiamen Terminal Group.

The total dividend for non-controlling interests for year ended 31 December 2021 is RMB218,877,000, of which RMB33,378,000 is for XPD and RMB185,499,000 is attributed to Xiamen Terminal Group.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

9. Subsidiaries (continued)

(a) Material non-controlling interests (continued)

Summarised balance sheets

	Xiamen Terminal Group As at 31 December		XPD As at 31 December	
	2021 RMB'000	2020 RMB'000 (Restated, Note 36)	2021 RMB'000	2020 RMB'000
Current assets	1,198,081	1,121,119	4,496,059	4,178,608
Current liabilities	(3,153,032)	(2,968,947)	(4,991,861)	(4,803,255)
Total net current liabilities	(1,954,951)	(1,847,828)	(495,802)	(624,647)
Non-current assets	11,542,643	11,083,644	6,524,347	6,258,255
Non-current liabilities	(1,191,538)	(771,484)	(1,151,547)	(1,082,759)
Total net non-current assets	10,351,105	10,312,160	5,372,800	5,175,496
Net assets	8,396,154	8,464,332	4,876,998	4,550,849
Equity attributable to owners	6,698,091	6,764,714	3,726,061	3,370,777
Non-controlling interests	1,698,063	1,699,618	1,150,937	1,180,072

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

9. Subsidiaries (continued)

(a) Material non-controlling interests (continued)

Summarised statements of comprehensive income

	Xiamen Terminal Group Year ended 31 December		XPD Year ended 31 December	
	2021 RMB'000	2020 RMB'000 (Restated, Note 36)	2021 RMB'000	2020 RMB'000
Revenue	2,308,157	2,030,618	23,581,958	15,705,533
Profit before income tax	667,859	548,996	379,807	328,033
Income tax expense	(111,151)	(99,554)	(99,387)	(105,433)
Profit after income tax	556,708	449,442	280,420	222,600
Total comprehensive income	556,708	449,442	280,420	222,600
Total comprehensive income allocated to non-controlling interests	60,492	22,274	39,773	62,682
Dividend paid to non-controlling interests	45,430	44,600	33,378	91,209

Summarised cash flows

	Xiamen Terminal Group Year ended 31 December		XPD Year ended 31 December	
	2021 RMB'000	2020 RMB'000 (Restated, Note 36)	2021 RMB'000	2020 RMB'000
Cash generated from operations	1,470,711	817,259	1,485,727	819,083
Interest paid	(89,414)	(89,604)	(188,189)	(152,377)
Income tax paid	(82,897)	(93,954)	(126,006)	(90,549)
Net cash generated from operating activities	1,298,400	633,701	1,171,532	576,157
Net cash used in investing activities	(1,137,901)	(105,585)	(478,175)	(326,230)
Net cash used in financing activities	(107,157)	(738,260)	(272,031)	(797,034)
Net increase/(decrease) in cash and cash equivalents	53,342	(210,144)	421,326	(547,107)
Cash and cash equivalents at beginning of year	58,901	269,044	429,381	985,292
Exchange (losses)/gains on cash and cash equivalents	(8)	1	(5,067)	(8,804)
Cash and cash equivalents at end of year	112,235	58,901	845,640	429,381

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

9. Subsidiaries (continued)

(a) Material non-controlling interests (continued)

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

Particulars of the subsidiaries are set out in Note 38(a).

(b) Transaction with non-controlling interests

On 8 October 2021, the Company acquired 20% equity interests in Xiamen Terminal Group, a 60% owned subsidiary of the Company, from New World (Xiamen) Port Investments Limited at a cash consideration of RMB1,568,000,000. On 22 December 2021, the Company acquired an additional 10% equity interests in Xiamen Terminal Group from another shareholder of Xiamen Terminal Group, Xiangyu Logistics Group Corporation Limited at a cash consideration of RMB796,098,000. Upon the completion of the above acquisitions, the Company held 90% effective equity interests in Xiamen Terminal Group.

The Group recognized a decrease in non-controlling interests of RMB2,166,017,000 and a decrease in equity attributable to owners of the Company of RMB198,081,000 for the year ended 31 December 2021. The effect on the equity attributable to the owners of the Company during the year is summarised as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Carrying amount of non-controlling interests acquired	2,166,017	—
Consideration paid to non-controlling interests	(2,364,098)	—
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	(198,081)	—

On 4 January 2022, the Company completed the acquisition of the remaining 10% equity interests in Xiamen Terminal Group from Xiamen ITG Group Corp., Ltd and Pointer Investment (Hong Kong) Limited (representing their entire aggregate equity interest in Xiamen Terminal Group) at a total cash consideration of RMB796,098,000. Thereafter, Xiamen Terminal Group became a wholly owned subsidiary of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

10. Interests in joint ventures

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
At 1 January	121,178	107,020
Additions	4,529	6,629
Dividends received	(2,305)	—
Share of results	9,226	7,529
At 31 December	132,628	121,178

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

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Revenue	67,491	60,488
Profit for the year	9,226	7,529

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Total assets	283,774	247,161
Total liabilities	151,146	125,983

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

10. Interests in joint ventures (continued)

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

As at 31 December 2021, there are no significant commitments and contingent liabilities relating to the Group's interests in the joint ventures and the joint ventures did not have significant contingent liabilities (2020: Nil).

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

Particulars of the Group's joint ventures are set out in Note 38(b).

11. Interests in associates

As at 31 December		
	2021	2020
	RMB'000	RMB'000
Share of net assets	184,458	169,758
Unlisted investments, at cost	163,463	163,463

Movement in investments in associates is set out as follows:

Year ended 31 December		
	2021	2020
	RMB'000	RMB'000
At 1 January	169,758	36,784
Addition	—	131,019
Disposal	—	(1,790)
Dividends received	(11,608)	(2,733)
Share of results before income tax expense	35,520	8,460
Share of income tax expense	(9,212)	(1,982)
	26,308	6,478
At 31 December	184,458	169,758

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

11. Interests in associates (continued)

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

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Revenue	239,759	31,697
Profit for the year	26,308	6,478

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Total assets	387,463	292,550
Total liabilities	203,005	122,792

Particulars of the Group's associates are set out in Note 38(c).

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

12. Fair value measurement of financial assets

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
At 1 January	2,147,323	405,834
Net fair value gains/(losses) on listed equity investments	6,534	(18,949)
Additions of listed equity investments	6,351	60,582
Disposals of listed equity investments	(60,759)	(33,845)
Net fair value gains on unlisted equity investments	62	693
(Disposal)/purchase of financial assets at fair value through profit or loss	(1,949,324)	1,754,736
Net fair value gains/(losses) on wealth management products (a)	1,200	(22,500)
(Decrease)/increase in notes receivables	(10,624)	772
At 31 December	140,763	2,147,323

Fair value measurement of financial assets includes the following:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Financial assets at fair value through other comprehensive income		
— Notes receivables	81,053	91,677
— Equity investments listed in the mainland of PRC	8,160	56,034
— Unlisted equity investments	5,733	5,671
	94,946	153,382
Financial assets at fair value through profit or loss		
— Wealth management products (a)	45,813	47,000
— Structure deposits	—	1,400,000
— National debt reverse repurchase	4	546,941
	45,817	1,993,941
	140,763	2,147,323

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

12. Fair value measurement of financial assets (continued)

During the year, the following gains/(losses) were recognised in profit or loss and other comprehensive income:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Gains/(losses) recognised in other comprehensive income		
Related to equity investments	6,596	(18,256)
Dividends from equity investments held at FVOCI recognised in profit or loss in other income		
Related to investments derecognised during the year	2,927	—
Related to investments held at the end of the reporting year	540	—
Fair value gains (losses) on debt instruments at FVPL recognised in other gains/(losses)	1,200	(25,577)

- (a) As at 31 December 2021, the Group held certain financial assets at fair value through profit or loss of RMB45,817,000 (31 December 2020: RMB1,993,941,000), of which RMB45,813,000 was wealth management products and RMB4,000 was national debts reverse repurchases (31 December 2020: RMB47,000,000 was wealth management products, RMB1,400,000,000 was structure deposits, and RMB546,941,000 was national debts reverse repurchases).
- (b) For the year 31 December 2021, fair value gains with an amount of RMB1,200,000 (year ended 31 December 2020: fair value losses with an amount of RMB22,500,000) were recognised in profit or loss for certain past due wealth management products with carrying amount of RMB117,113,000 (31 December 2020: RMB119,500,000)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

13. Deferred income tax

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

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Deferred income tax assets		
At 1 January	257,862	268,461
Credited/(charged) to		
— consolidated income statement (Note 31)	22,247	(10,599)
At 31 December	280,109	257,862
To be recovered:		
Within 12 months	7,923	7,860
After more than 12 months	272,186	250,002
	280,109	257,862
Deferred income tax liabilities		
At 1 January	398,698	421,692
(Credited)/charged to		
— consolidated income statement (Note 31)	(13,140)	(12,349)
— other comprehensive income (Note 25)	1,633	(10,645)
At 31 December	387,191	398,698
To be settled:		
Within 12 months	13,140	13,655
After more than 12 months	374,051	385,043
	387,191	398,698

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

13. Deferred income tax (continued)

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

	Revaluation in connection with businesses contributed to a subsidiary (a) RMB'000	Deferred income (b) RMB'000	Impairment of assets and provisions RMB'000	Others RMB'000	Total RMB'000
Deferred income tax assets at 1 January 2021	179,295	12,045	44,512	22,010	257,862
(Charged)/credited to consolidated income statement (Note 31)	(5,574)	(4,365)	3,073	29,113	22,247
Deferred tax assets at 31 December 2021	173,721	7,680	47,585	51,123	280,109

	Revaluation in connection with businesses contributed to a subsidiary (a) RMB'000	Deferred income (b) RMB'000	Impairment of assets and provisions RMB'000	Others RMB'000	Total RMB'000
Deferred income tax assets at 1 January 2020	184,803	13,093	35,945	34,620	268,461
(Charged)/credited to consolidated income statement (Note 31)	(5,508)	(1,048)	8,567	(12,610)	(10,599)
Deferred tax assets at 31 December 2020	179,295	12,045	44,512	22,010	257,862

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

13. Deferred income tax (continued)

- (a) The balance represents i) the deferred income tax assets of RMB38,709,000 (2020: RMB39,950,000) arising from the revaluation difference resulting from the Berth No. 6 of Haicang Port injected by XPHG into Xiamen Terminal Group as part of its capital contributions, and ii) the deferred income tax assets of RMB135,012,000 (2020 RMB139,345,000) arising from the revaluation difference resulting from the Berth No 4–5 of Haicang Port and Berth No. 5–11 of Dongdu Port injected by the Company into Xiamen Terminal Group as part of its capital contributions. Due to business combination under common control, the accounting base of these assets are equal to carrying amount in the consolidated financial statements, while the valuation amounts form the tax base for calculating the future taxable profits.
- (b) The balance mainly represents the deferred income tax assets arising from the government grants received by the Group.

Deferred tax liabilities

	Interest capitalised RMB'000	Fair value gains on financial assets at fair value through other comprehensive income RMB'000	Gain on land and asset resumption (c) RMB'000	Fair value adjustments arising from acquisition of subsidiaries (d) RMB'000	Total RMB'000
Deferred income tax liabilities at 1 January 2021	10,356	100	123,823	264,419	398,698
Charged/(credited) to consolidated income statement (Note 31)	1,375	—	(2,724)	(11,791)	(13,140)
Charged to other comprehensive income	—	1,633	—	—	1,633
Deferred income tax liabilities at 31 December 2021	11,731	1,733	121,099	252,628	387,191

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

13. Deferred income tax (continued)

Deferred tax liabilities (continued)

	Interest capitalised RMB'000	Fair value gains on financial assets at fair value through other comprehensive income RMB'000	Gain on land and asset resumption (c) RMB'000	Fair value adjustments arising from acquisition of subsidiaries (d) RMB'000	Total RMB'000
Deferred income tax liabilities at 1 January 2020	9,185	10,745	126,548	275,214	421,692
Charged/(credited) to consolidated income statement (Note 31)	1,171	—	(2,725)	(10,795)	(12,349)
Credited to other comprehensive income	—	(10,645)	—	—	(10,645)
Deferred income tax liabilities at 31 December 2020	10,356	100	123,823	264,419	398,698

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

- (c) The balance represents the temporary differences after disposal of land and certain assets situated thereon (such as infrastructure) of Dongdu Berth No. 1, No. 2, No. 3 and No. 4.
- (d) The balance represents the deferred tax liabilities of RMB252,628,000 (2020: RMB264,419,000) resulting from the revaluation surplus arising from establishment of Xiamen Terminal Group in 2013, the acquisition of Xiamen Haicang International Container Terminals Limited ("XHICT") in 2016, the acquisition of Xiamen International Container Terminals Limited ("XICT") in 2017 and the acquisition of Shishi Huajin in 2017.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

13. Deferred income tax (continued)

Deferred tax liabilities (continued)

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

	As at 31 December	
	2021 RMB'000	2020 RMB'000
2021	—	85,031
2022	167,127	167,127
2023	283,415	283,415
2024	303,547	303,547
2025	191,572	191,572
2026	173,597	—
	1,119,258	1,030,692

14. Inventories

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Raw materials	52,511	49,813
Finished goods and merchandise	1,858,495	1,492,598
Spare parts and consumables	9,357	10,221
	1,920,363	1,552,632
Less: provision for impairment	(47,846)	(22,991)
	1,872,517	1,529,641

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

The cost of inventories recognised as expense and included in cost of sales and operating expenses of the Group amounted to RMB21,599,356,000 (2020: RMB14,049,726,000) (Note 29).

Write-downs of inventories to net realisable value amounted to RMB41,464,000 (2020 RMB4,271,000). These were recognised as an expense during the year ended 31 December 2020 and included in 'cost of sales' in the statement of profit or loss (Note 29).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

15. Accounts receivable

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Accounts receivable – third parties	1,179,842	1,368,261
Less: expected credit loss allowance (Note 3.1(d))	(83,282)	(96,267)
	1,096,560	1,271,994
Due from fellow subsidiaries (Note 37(b))	10,202	10,246
Due from joint ventures (Note 37(b))	1,058	90
Due from associates (Note 37(b))	—	529
Due from other related parties (Note 37(b))	121	8,940
	1,107,941	1,291,799

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

15. Accounts receivable (continued)

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

As at 31 December		
	2021	2020
	RMB'000	RMB'000
Less than 6 months	956,986	1,143,373
6 months to 1 year	41,856	62,524
1 year to 2 years	33,940	98,821
2 years to 3 years	97,822	2,383
Over 3 years	60,619	80,965
	1,191,223	1,388,066
Less: expected credit loss allowance of receivables (Note 3.1(d))	(83,282)	(96,267)
	1,107,941	1,291,799

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

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

As at 31 December		
	2021	2020
	RMB'000	RMB'000
RMB	920,346	1,082,595
USD	187,595	209,172
EUR	—	32
	1,107,941	1,291,799

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

15. Accounts receivable (continued)

Movements on the expected credit loss allowance of the Group's Accounts receivable are as follows:

	Year Ended 31 December	
	2021 RMB'000	2020 RMB'000
At 1 January	96,267	86,803
Net provision of expected credit loss allowance	16,117	12,370
Uncollectible receivables written off during the year	(29,102)	(2,906)
At 31 December	83,282	96,267

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

16. Other receivable and prepayments

	As at 31 December	
	2021 RMB'000	2020 RMB'000 (Restated, Note 36)
Other receivables (a) – third parties	680,424	698,287
Less: expected credit loss allowance (Note 3.1(d))	(49,050)	(46,916)
Advances to suppliers	347,825	656,507
	979,199	1,307,878
Due from the immediate parent company (Note 37(b))	24,885	26,266
Due from fellow subsidiaries (Note 37(b))	279	5,855
Due from joint ventures (Note 37(b))	2,132	—
Due from other related parties (Note 37(b))	665	284
Prepayments and deposits	46,967	54,333
	1,054,127	1,394,616
Less: long-term portion — Prepayments for acquisition of property, plant and equipment	(5,277)	(1,571)
Other receivables and prepayments — current portion	1,048,850	1,393,045

- (a) As at 31 December 2021, the balance mainly represents receivable for a Build-Transfer ("BT") project of RMB33,794,000 (2020: RMB34,601,000) and value-added tax to be deducted of RMB338,100,000 (2020: RMB291,814,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

16. Other receivable and prepayments (continued)

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

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
At 1 January	46,916	29,249
Net provision of expected credit loss allowance	6,085	18,638
Uncollectible receivables written off during the year	(3,951)	(971)
At 31 December	49,050	46,916

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

The Group's maximum exposure to credit risk in respect of other receivables and prepayments at 31 December 2021 is the carrying amount of each class of the receivables and prepayments. The Group did not hold any collateral as security for other receivables and prepayments as at 31 December 2021.

17. Term deposits with initial term over three months

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Term deposits (all denominated in RMB)	800,000	250,000

The weighted average effective interest rate on term deposits, with maturity ranging from 15 months to 2 years, is 3.95% (2020: 4.13%) per annum.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

18. Restricted cash

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

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

19. Cash and cash equivalents

	As at 31 December	
	2021 RMB'000	2020 RMB'000 (Restate, Note 36)
Cash at bank and in hand	3,771,304	969,738
Less: term deposits with initial term over three months (Note 17)	(800,000)	(250,000)
Cash and cash equivalents	2,971,304	719,738
Maximum exposure to credit risk (net of cash in hand)	2,971,304	719,738
Denominated in:		
RMB	2,732,620	591,307
USD	216,525	127,489
AUD	21,880	—
HKD	278	940
EUR	1	2
	2,971,304	719,738

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

20. Accounts and notes payable

	As at 31 December	
	2021 RMB'000	2020 RMB'000 (Restated, Note 36)
Accounts payable – third parties	1,501,181	1,163,330
Due to the immediate parent company (Note 37(b))	7,801	2,074
Due to fellow subsidiaries (Note 37(b))	81,737	63,348
Due to associates (Notes 37(b))	1,788	381
Due to other related parties (Note 37(b))	4,546	10,137
Notes payable	289,029	601,011
	1,886,082	1,840,281

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

20. Accounts and notes payables (continued)

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
		(Restated, Note 36)
Within 1 year	1,769,936	1,744,184
1 year to 2 years	82,919	64,166
2 years to 3 years	22,316	16,313
Over 3 years	10,911	15,618
	1,886,082	1,840,281

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

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

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
		(Restated, Note 36)
USD	1,017,318	240,495
RMB	816,866	1,599,786
AUD	50,345	—
CAD	1,553	—
	1,866,082	1,840,281

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

21. Other payables and accruals

	As at 31 December	
	2021 RMB'000	2020 RMB'000 (Restated, Note 36)
Due to the immediate parent company (Note 37(b))	11,618	14,473
Due to fellow subsidiaries (Note 37(b))	12,643	10,717
Due to joint ventures (Note 37(b))	2,585	50
Due to associates (Note 37(b))	18,000	16,025
Due to other related parties (Note 37(b))	—	355
Payables for purchases of property, plant and equipment and construction-in-progress	91,033	118,268
Salary and welfare payables	199,289	282,149
Customer deposits	147,578	117,010
Accrued expenses	2,394	2,467
Dividends payable to		
— shareholders of the Company (Note 37(b))	3,111	3,111
— non-controlling shareholders of subsidiaries (Note 37(b))	30,355	29,562
Interest payables	54,195	19,642
Payables for business combinations	46,311	46,311
Other payables	234,129	142,659
	853,241	802,799
Less: long-term payables and advances		
— Others	(1,662)	(1,704)
Current portion	851,579	801,095

As at 31 December 2021, the payables due to the immediate parent company, fellow subsidiaries, joint ventures and associates are unsecured, interest free and without fixed repayment term, except for borrowings of RMB18,000,000 from associates bearing interest of 3.68% with fixed repayment terms within 1 year.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

22. Deferred government grants and income

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Deferred income on tax credits related to purchases of domestic manufactured equipment (a)	2,437	3,925
Government grants on purchases of property, plant and equipment (b)	102,889	115,152
	105,326	119,077

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

23. Borrowings

	As at 31 December	
	2021 RMB'000	2020 RMB'000 (Restated, Note 36)
Non-current		
Long-term bank borrowings	1,555,371	878,529
Debentures (c)	2,136,458	—
	3,691,829	878,529
Current		
Short-term bank borrowings	2,182,200	1,926,056
Long-term bank borrowings – current portion	253,142	49,121
Borrowings from the immediate parent company	1,058,000	1,031,032
Debentures – current portion (d)	4,580,000	4,597,367
	8,073,342	7,603,576
Total borrowings	11,765,171	8,482,105
Representing:		
– guaranteed (a)	615,314	495,468
– secured (b)	167,020	166,784
– unsecured	10,982,837	7,819,853
Total borrowings	11,765,171	8,482,105

- (a) As at 31 December 2021, bank borrowings of RMB615,314,000 were guaranteed by several non-controlling shareholders of several subsidiaries (31 December 2020: RMB484,367,000); no USD bank borrowing was guaranteed by China Construction Bank (31 December 2020: RMB11,101,000).
- (b) As at 31 December 2021, bank borrowings of RMB100,520,000 (31 December 2020: RMB107,498,000) were secured by land use rights with carrying amount of RMB44,749,846 (31 December 2020: RMB45,813,824) and bank borrowings of RMB66,500,000 (31 December 2020: RMB59,286,000) were secured by the Group's sea use rights with carrying amount of RMB173,401,511 (31 December 2020: RMB177,999,706).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

23. Borrowings (continued)

- (c) On 19 April 2021, the Company issued the first tranche of Medium-term Notes with a term of three years and a total principal amount of RMB1,200,000,000 at a fixed interest rate of 3.65% per annum (the “2021 XIP First Tranche Medium-term Notes”).

On 21 October 2021, the Company issued the first tranche of Corporate Bonds with a term of five year and a total principal amount of RMB900,000,000 at a fixed interest rate of 3.43% per annum (the “2021 XIP First Tranche Corporate Bonds”) on the ShenZhen Stock Exchange. Pursuant to the principal terms of the “2021 XIP First Tranche Corporate Bonds”, at the end of 2024, XIP is entitled to adjust the interest rate for the remaining term and the holders of the “2021 XIP First Tranche Corporate Bonds” may sell back all or part of their bonds to the Company at the nominal value.

- (d) On 28 July 2021, the Company issued the fourth tranche of the Super Short-term Notes with a term of 268 days and a total principal amount of RMB600,000,000 at a fixed interest rate of 2.74% per annum (the “2021 fourth Tranche Super Short-term Notes”).

On 30 July 2021, the Company issued the fifth tranche of the Super Short-term Notes with a term of 180 days and a total principal amount of RMB1,100,000,000 at a fixed interest rate of 2.61% per annum (the “2021 fifth Tranche Super Short-term Notes”).

On 27 August 2021, the Company issued the sixth tranche of the Super Short-term Notes with a term of 180 days and a total principal amount of RMB480,000,000 at a fixed interest rate of 2.58% per annum (the “2021 sixth Tranche Super Short-term Notes”).

On 6 September 2021, the Company issued the seventh tranche of the Super Short-term Notes with a term of 179 days and a total principal amount of RMB1,000,000,000 at a fixed interest rate of 2.58% per annum (the “2021 seventh Tranche Super Short-term Notes”).

On 15 September 2021, the Company issued the eighth tranche of the Super Short-term Notes with a term of 177 days and a total principal amount of RMB800,000,000 at a fixed interest rate of 2.74% per annum (the “2021 eighth Tranche Super Short-term Notes”).

On 20 October 2021, the Company issued the ninth tranche of the Super Short-term Notes with a term of 177 days and a total principal amount of RMB600,000,000 at a fixed interest rate of 2.80% per annum (the “2021 ninth Tranche Super Short-term Notes”).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

23. Borrowings (continued)

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

	As at 31 December	
	2021 RMB'000	2020 RMB'000 (Restated, Note 36)
Borrowings repayable		
— within 1 year	8,073,342	7,603,576
— between 1 and 2 years	656,211	80,191
— between 2 and 5 years	2,512,399	283,045
— over 5 years	523,219	515,293
	11,765,171	8,482,105

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

	As at 31 December	
	2021 RMB'000	2020 RMB'000 (Restated, Note 36)
RMB	11,715,281	8,323,467
USD	45,268	11,102
EUR	3,338	147,536
CAD	1,284	—
Total borrowings	11,765,171	8,482,105

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

23. Borrowings (continued)

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

	As at 31 December	
	2021	2020 (Restated, Note 36)
Borrowings denominated in		
— RMB	3.29%	2.43%
— USD	0.68%	5.15%
— EUR	1.50%	1.50%
— CAD	2.04%	—

The carrying amounts of short-term bank borrowings approximate their fair values, as the impact of discounting is not significant.

The carrying amounts and fair values of long-term bank borrowings at the respective balance sheet dates are as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Carrying amounts	3,691,829	878,529
Fair values	3,708,217	878,529

The fair values of non-current debentures are based on quoted market prices at the balance sheet date, and are within level 1 of the fair value hierarchy.

The fair values of non-current bank borrowings are estimated based on discounted cash flow approach using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates, and are within level 2 of the fair value hierarchy.

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in Note 3.1.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

24. Share capital

	Domestic shares of RMB1 each RMB'000	H-shares of RMB1 each RMB'000	Total RMB'000
At 31 December of 2021 and 2020	1,739,500	986,700	2,726,200

The Company was established in the PRC on 25 May 1998 as a wholly state-owned company under the Company Law of the PRC. On 3 March 2005, the Company was transformed into a joint stock limited company under the Company Law of the PRC by converting its registered capital of RMB500,000,000 and reserves of RMB1,256,000,000 as at 30 September 2004 into 1,756,000,000 shares of RMB1 each.

On 2 June 2005, the registered share capital was further increased from 1,756,000,000 to 1,829,200,000 shares of RMB1 each which were issued to owners at RMB1.23 each for cash.

The Company's H-shares were listed on the Main Board on 19 December 2005 and 858,000,000 H-shares, consisting of 780,000,000 new shares and 78,000,000 shares converted from domestic shares, with a nominal value of RMB1 each were issued to the public by the way of global offering at offer price of HKD1.38 each.

On 3 January 2006, the Company allotted and issued 117,000,000 additional H-shares at the offer price of HKD1.38 per H-share as a result of the exercise of the over-allotment option granted on 29 December 2005 as part of global offering of the Company's H-shares. In addition, Xiamen Port Holding transferred 11,700,000 domestic shares of the Company to National Council for Social Security Fund (the "NCSSF"), which in turn entrusted the Company to convert these shares into H-shares and sold them together with the additional H-shares immediately after the share transfer.

The domestic shares and H-shares rank pari passu in all material respects except that the dividends in respect of H-shares are to be paid by the Company in Hong Kong dollars whereas all dividends in respect of domestic shares are to be paid by the Company in Renminbi. In addition, the transfer of domestic shares is subject to certain restriction imposed by PRC law from time to time.

During the year ended 31 December 2021, there was no movement in the share capital of the Company (2020: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

25. Reserves

Note	Other reserves			Total RMB'000	Retained earnings RMB'000 (b)	Total RMB'000
	Capital surplus RMB'000 (c)	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000			
Balance at 1 January 2020 (Previously reported)	(634,313)	366,545	11,334	(256,434)	3,177,618	2,921,184
Business combination under common control	921,762	—	—	921,762	(21,566)	900,196
Balance at 1 January 2020 (Restated, Note 36)	287,449	366,545	11,334	665,328	3,156,052	3,821,380
Changes in the fair value of financial assets at fair value through other comprehensive income	—	—	(8,305)	(8,305)	—	(8,305)
— Gross	—	—	(11,073)	(11,073)	—	(11,073)
— Related deferred income tax	—	—	2,768	2,768	—	2,768
Changes in the fair value of financial assets at fair value through other comprehensive income to retained earnings	—	—	(17,722)	(17,722)	17,722	—
— Gross	—	—	(23,628)	(23,628)	23,628	—
— Related deferred income tax	—	—	5,906	5,906	(5,906)	—
Addition of partial ownership interest in a subsidiary	(23,787)	—	—	(23,787)	—	(23,787)
Profit for the year	—	—	—	—	267,685	267,685
2019 final dividends	—	—	—	—	(68,155)	(68,155)
Profit appropriation (a)	—	24,654	—	24,654	(24,654)	—
Balance at 31 December 2020 (Restated, Note 36)	263,662	391,199	(14,693)	640,168	3,348,650	3,988,818
Representing:						
— 2020 proposed final dividends	—	—	—	—	76,334	76,334
— Others	263,662	391,199	(14,693)	640,168	3,272,316	3,912,484
	263,662	391,199	(14,693)	640,168	3,348,650	3,988,818

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

25. Reserves (continued)

Note	Other reserves			Total RMB'000	Retained earnings RMB'000 (b)	Total RMB'000
	Capital surplus RMB'000 (c)	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000			
Balance at 1 January 2021	263,662	391,199	(14,693)	640,168	3,348,650	3,988,818
Changes in the fair value of financial assets at fair value through other comprehensive income	–	–	2,648	2,648	–	2,648
– Gross	–	–	3,531	3,531	–	3,531
– Related deferred income tax	–	–	(883)	(883)	–	(883)
Changes in the fair value of financial assets at fair value through other comprehensive income to retained earnings	–	–	2,253	2,253	(2,253)	–
– Gross	–	–	3,003	3,003	(3,003)	–
– Related deferred income tax	–	–	(750)	(750)	750	–
Business combination under common control (d)	(970,588)	–	–	(970,588)	–	(970,588)
Transactions with non-controlling shareholders of subsidiaries Note 9(b)	(198,081)	–	–	(198,081)	–	(198,081)
Profit for the year	–	–	–	–	413,960	413,960
2020 final dividends	–	–	–	–	(76,334)	(76,334)
Profit appropriation (a)	–	12,801	–	12,801	(12,801)	–
Balance at 31 December 2021	(905,007)	404,000	(9,792)	(510,799)	3,671,222	3,160,423
Representing:						
– 2021 proposed final dividends	–	–	–	–	57,250	57,250
– Others	(905,007)	404,000	(9,792)	(510,799)	3,613,972	3,103,173
	(905,007)	404,000	(9,792)	(510,799)	3,671,222	3,160,423

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

25. Reserves (continued)

- (a) In accordance with the PRC regulations and the Articles of Association of the companies within the Group, before distributing the net profit of each year, each of the companies registered in the PRC is required to set aside 10% of its statutory net profit for the year after offsetting any prior year's losses as determined under Accounting Standards for Business Enterprises issued by Ministry of Finance on 15 February 2006 (the "PRC GAAP") to the statutory surplus reserve fund. When the balance of such reserve reaches 50% of each company's registered share capital, any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior years' losses or to issue bonus shares. However, such statutory surplus reserve fund must be maintained at a minimum of 25% of the company's issued capital after such issuance. The current year profit appropriation represented only the Company's profit appropriation to statutory surplus reserve.
- (b) As at 31 December 2021, the Group's retained earnings amounted to RMB3,671,222,000, of which RMB712,294,000 were statutory surplus reserves of the Company's subsidiaries appropriated from their respective retained earnings.
- (c) The opening balance as at 1 January 2021 was mainly resulted from the re-organisation in 2005, when the Company was transformed into a joint stock limited company under the Company Law of the PRC by converting its net assets reported under PRC accounting regulations as at 30 September 2004 into 1,756,000,000 shares of RMB1 each, while the net assets reported under HKFRSs as at 30 September 2004 were lower than the transferred amounts; and the establishment of Xiamen Terminal Group in 2013, when the XPHG injected certain port assets into the Group.
- (d) The movements mainly represented the financial impact of the acquisition of Haitong Terminal (Note 36).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

26. Revenues and segment information

(a) Revenues and other income

The Group's revenues and other income are analysed as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000 (Restated, Note 36)
Revenues	25,690,112	17,691,738
Other income		
— Government subsidies	246,734	244,596
— Rental income	59,106	52,267
— Dividend income	3,467	3,188
— Others	40,060	67,456
	349,367	367,507
Total	26,039,479	18,059,245

(b) Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the senior executive management team, including the chairman and the chief executive officer of the Company that makes strategic decisions.

The chief operating decision-maker considers the business from service/product perspective and assesses the performance of the following segments: (1) CLUS business; (2) bulk/general cargo loading and unloading business; (3) comprehensive port logistic services and (4) merchandise trading business. Substantially all of the Group's activities are conducted in the PRC, virtually all of the Group's revenues and operating profits are earned within the PRC and substantially all assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns. As such, the chief operating decision-maker did not evaluate segment on geographical basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

26. Revenues and segment information (continued)

(b) Segment information (continued)

Following the disposal of Xiamen Road and Bridge Building Materials Co., Ltd on 28 December 2020, the chief operating decision-maker changed the structure of its internal organization in a manner that causes the remaining composition of “Manufacturing and selling of building materials” segment to change to “Merchandise trading business” segment, the corresponding information for earlier periods have been restated.

The segment results provided to the chief operating decision-maker for the reportable segments for the year ended 31 December 2021 and 2020 are as follows:

	For the year ended 31 December 2021				
	CLUS business RMB'000	Bulk/general cargo loading and unloading business RMB'000	Comprehensive port logistic services RMB'000	Merchandise trading business RMB'000	Total RMB'000
Total segment revenues	2,268,295	946,110	1,172,370	21,589,319	25,976,094
Inter-segment revenues	–	–	(285,982)	–	(285,982)
Revenues	2,268,295	946,110	886,388	21,589,319	25,690,112
Operating profit	756,772	84,793	233,816	125,847	1,201,228
Finance income					50,216
Finance costs					(303,157)
					948,287
Share of profits less losses of joint ventures	40	–	9,186	–	9,226
Share of profits less losses of associates	871	–	4,170	21,267	26,308
Profit before income tax					983,821
Income tax expense					(214,711)
Profit for the year					769,110
Other information:					
Depreciation	397,807	173,877	82,934	7,028	661,646
Amortisation	158,852	41,056	21,267	850	222,025
Net provision for/(reversal of) impairment of					
– inventories	1,236	–	1,243	38,985	41,464
– receivables and advances to suppliers	(967)	(81)	(2,221)	25,471	22,202

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

26. Revenues and segment information (continued)

(b) Segment information (continued)

The segment results provided to the chief operating decision-maker for the reportable segments for the year ended 31 December 2021 and 2020 are as follows: (continued)

	For the year ended 31 December 2020				
	CLUS business RMB'000 (Restated, Note 36)	Bulk/general cargo loading and unloading business RMB'000	Comprehensive port logistic services RMB'000	Merchandise trading business RMB'000 (Restated, Note 36)	Total RMB'000 (Restated, Note 36)
Total segment revenues	2,065,987	833,107	1,079,488	13,960,059	17,938,641
Inter-segment revenues	–	–	(246,903)	–	(246,903)
Revenues	2,065,987	833,107	832,585	13,960,059	17,691,738
Operating profit	628,794	110,193	203,967	98,060	1,041,014
Finance income					27,305
Finance costs					(283,785)
					784,534
Share of profits less losses of joint ventures	6	–	7,523	–	7,529
Share of profits less losses of associates	655	–	5,478	345	6,478
Profit before income tax					798,541
Income tax expense					(210,539)
Profit for the year					588,002
Other information:					
Depreciation	386,109	147,165	76,415	10,741	620,430
Amortisation	158,354	43,525	19,818	4,183	225,880
Net provision for/(reversal of) impairment of					
– inventories	432	–	335	3,504	4,271
– receivables and advances to suppliers	741	48	(2,440)	32,659	31,008

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

26. Revenues and segment information (continued)

(b) Segment information (continued)

The segment assets and liabilities provided to the chief operating decision-maker for the reportable segments as at 31 December 2021 and 2020 is as follows:

	CLUS business RMB'000	Bulk/general cargo loading and unloading business RMB'000	Comprehensive port logistic services RMB'000	Merchandise trading business RMB'000	Total RMB'000
As at 31 December 2021					
Segment assets	15,143,234	5,011,030	2,517,628	3,377,773	26,049,665
Including:					
Interest in joint ventures	6,066	—	126,562	—	132,628
Interests in associates	2,431	—	31,087	150,940	184,458
Long-term receivables and prepayments	—	—	5,277	—	5,277
Other non-currents asset:	11,521,192	4,702,330	1,639,400	23,272	17,886,194
Including:					
Investment properties	104,989	—	48,945	15,160	169,094
Property, plant and equipment	7,647,034	3,895,989	1,306,857	7,162	12,857,042
Goodwill	129,261	20,867	—	—	150,128
Computer software	31,357	6,116	447	950	38,870
Right-of-use assets	3,608,551	779,358	283,151	—	4,671,060
Additions to non-current assets	279,900	356,925	159,950	2,050	798,825
Segment liabilities	640,910	325,824	845,980	1,755,124	3,567,838

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

26. Revenues and segment information (continued)

(b) Segment information (continued)

The segment assets and liabilities provided to the chief operating decision-maker for the reportable segments as at 31 December 2021 and 2020 is as follows: (continued)

	CLUS business RMB'000 (Restated, Note 36)	Bulk/general cargo loading and unloading business RMB'000	Comprehensive port logistic services RMB'000	Merchandise trading business RMB'000 (Restated, Note 36)	Total RMB'000 (Restated, Note 36)
As at 31 December 2020					
Segment assets	13,050,376	4,882,572	2,301,676	3,280,696	23,515,320
Including:					
Interest in joint ventures	6,026	—	115,152	—	121,178
Interests in associates	1,847	—	32,483	135,428	169,758
Long-term receivables and prepayments	—	—	1,571	—	1,571
Other non-currents asset:	11,148,499	4,803,137	2,017,830	21,821	17,991,287
Including:					
Investment properties	106,095	—	34,079	13,804	153,978
Property, plant and equipment	7,205,791	4,017,058	1,616,363	7,314	12,846,526
Goodwill	129,261	20,867	—	—	150,128
Computer software	34,806	2,167	259	703	37,935
Right-of-use assets	3,672,546	763,045	367,129	—	4,802,720
Additions to non-current assets	167,300	358,353	118,665	6,885	651,203
Segment liabilities	636,872	265,809	886,039	1,722,268	3,510,988

The chief operating decision-maker assesses the performance of the operating segments based on operating profit. Finance income and costs are not included in the results for each operating segment that is reviewed by the chief operating decision-maker. Other information provided, except as noted below, to the chief operating decision-maker is measured in a manner consistent with that in the consolidated financial statements.

Segment assets mainly exclude deferred income tax assets, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. These are part of the reconciliation to total balance sheet assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

26. Revenues and segment information (continued)

(b) Segment information (continued)

Segment liabilities mainly exclude items such as deferred income tax liabilities, taxes payable and borrowings. These are part of the reconciliation to total balance sheet liabilities.

Sales between segments are carried out on terms agreed by the parties involved. The revenue from external parties reported to the chief operating decision-maker is measured in a manner consistent with that in the consolidated income statement.

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
		(Restated, Note 36)
Total segment assets	26,049,665	23,515,320
Add: Deferred income tax assets	280,109	257,862
Financial assets at fair value through profit or loss	45,817	1,993,941
Financial assets at fair value through other comprehensive income	94,946	153,382
Derivative financial instruments	—	540
Total assets per consolidated balance sheet	26,470,537	25,921,045

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
		(Restated, Note 36)
Total segment liabilities	3,567,838	3,510,988
Add: Deferred income tax liabilities	387,191	398,698
Taxes payable	87,332	59,820
Borrowings	11,765,171	8,482,105
Derivative financial instruments	260	—
Total liabilities per consolidated balance sheet	15,807,792	12,451,611

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

27. Other gains/(losses) – net

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000 (Restated, Note 36)
Exchange gains/(losses)	26,420	(45)
Claim income	19,687	1,084
Net fair value gains/(losses) on financial assets at fair value through profit or loss (Note 12)	1,200	(25,577)
Losses on fair value movements of derivatives	(3,749)	(27,386)
Net (losses)/gains on disposal of property, plant and equipment	(196)	2,754
Gains on disposal of a subsidiary	—	12,379
Others	9,187	4,194
	52,549	(32,597)

28. Employee benefit expenses

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Salaries, wages and bonuses	1,093,429	991,493
Welfare, medical and other expenses	176,865	97,212
Contributions to pension plans (a)	181,610	89,519
Contributions to supplementary pension scheme	36,320	34,639
	1,488,224	1,212,863

(a) Pensions – defined contribution plans

The employees of the Group participate in various pension plans organised by the relevant municipal and provincial governments under which the Group is obliged to make monthly defined contributions to these plans based on 18.5% to 26% (2020: 18.5% to 26%) of the employees' monthly salaries and wages, depending on the applicable social security regulations. In addition, from 2008, the Group has also participated in a supplementary pension scheme under which the Group is required to make monthly payments to insurance companies for its existing qualifying employees. The Group has no further obligation for payments of retirement and other post retirement benefits beyond the above contributions. Contributions to these pension plans or scheme are expensed as incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

28. Employee benefit expenses (continued)

(b) Emoluments of directors, supervisors and senior management

The emoluments received by individual directors and supervisors are as follows:

Year end 31 December 2021

Name	Fees RMB'000	Basic salaries, housing allowances, other allowances and benefits-in-kind RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors:					
Cai Liqun	—	323	103	828	1,254
Chen Zhaohui	—	323	98	716	1,137
Lin Fuguang	—	274	94	656	1,024
Chen Zhen	—	274	95	650	1,019
Non-executive directors:					
Chen Zhiping	120	—	—	—	120
Fu Chengjing	120	—	—	—	120
Huang Zirong	120	—	—	—	120
Bai Xueqin	120	—	—	—	120
Independent non-executive directors:					
Liu Feng	120	—	—	—	120
Lin Pengjiu	120	—	—	—	120
Jin Tao	120	—	—	—	120
Ji Wenyuan	120	—	—	—	120
Supervisors:					
Du Hongjia	80	—	—	—	80
Zhang Guixian	80	—	—	—	80
Liao Guosheng	468	60	95	424	1,047
Liu Xiaolong	500	54	88	499	1,141
Tang Jinmu	80	—	—	—	80
Xiao Zuoping	80	—	—	—	80
Senior management:					
Wu Yansong	316	56	96	512	980
Board secretary:					
Cai Changzhen	198	54	82	431	765
	2,762	1,418	751	4,716	9,647

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

28. Employee benefit expenses (continued)

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

Year end 31 December 2020

Name	Fees RMB'000	Basic salaries, housing allowances, other allowances and benefits-in-kind RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors:					
Cai Liqun	—	301	61	803	1,165
Chen Zhaohui	—	319	55	689	1,063
Lin Fuguang (i)	—	280	53	508	841
Chen Zhen (i)	—	281	54	620	955
Non-executive directors:					
Chen Zhiping	119	—	—	—	119
Miao Luping	59	—	—	—	59
Fu Chengjing	119	—	—	—	119
Huang Zirong	119	—	—	—	119
Bai Xueqin	119	—	—	—	119
Independent non-executive directors:					
Liu Feng	119	—	—	—	119
Lin Pengjiu	119	—	—	—	119
You Xianghua	119	—	—	—	119
Jin Tao	119	—	—	—	119
Ji Wenyuan	119	—	—	—	119
Supervisors:					
Du Hongjia	79	—	—	—	79
Zhang Guixian	79	—	—	—	79
Liao Guosheng	468	56	53	395	972
Liu Xiaolong	342	68	46	444	900
Tang Jinmu	79	—	—	—	79
Xiao Zuoping	79	—	—	—	79
Senior management:					
Xu Xubo	39	6	7	387	439
Wu Yansong	441	75	51	496	1,063
Board secretary:					
Cai Changzhen	184	60	45	420	709
	2,920	1,446	425	4,762	9,553

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

28. Employee benefit expenses (continued)

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

During the year ended 31 December 2021 (2020: None), no directors or supervisors of the Company have waived their emoluments and no emolument was paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2021 including three (2020: three) directors and two supervisors (2020: one) whose emoluments are reflected in the analysis presented in (b) above. The emoluments payable to the remaining zero (2020: one) individual (the "Individuals") during the year are as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	—	516
Contributions to pension plans	—	51
Discretionary bonuses	—	496
	—	1,063

During the year, no emoluments were paid by the Company to the Individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

The emoluments of the Individual fall within the following bands:

Emolument bands*	Number of Individuals	
	2021	2020
Nil to HK\$1,000,000 (equivalent to Nil to RMB817,600)	—	—
HK\$1,000,001 to HK\$1,500,000 (equivalent to RMB817,601 to RMB1,226,400)	—	1

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

28. Employee benefit expenses (continued)

(c) Five highest paid individuals (continued)

Details of remuneration payable to members of senior management (excluding directors) of the Group presented by band during the year ended 31 December 2021 are as follows:

Remuneration by band*	Number of individuals	
	2021	2020
HK\$1,000,001 to HK\$1,500,000 (equivalent to RMB817,601 to RMB1,226,400)	2	2

* To the nearest RMB100,000

29. Expenses by nature

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000 (Restated, Note 36)
Cost of inventories sold/consumed (Note 14)	21,599,356	14,049,726
Employee benefit expenses (Note 28)	1,488,224	1,212,863
Distribution, transportation and labour outsourcing	470,479	473,752
Depreciation of		
– investment properties (Note 5)	7,057	7,745
– property, plant and equipment (Note 6)	654,589	612,685
Amortisation of		
– intangible assets (Note 7)	9,939	9,675
– right-of-use assets (Note 8)	212,086	216,205
Repairs and maintenance	118,492	109,980
Short-term or low-value operating lease rentals in respect of property, plant and equipment	22,662	30,712
General office expenses	58,220	58,009
Advertising and marketing expenses	27,224	23,492
Stamp duty and real estate tax	57,857	43,610
Dredging expenses	21,147	18,214
Insurance expenses	32,058	24,930
Net provision for impairment of		
– inventories	41,464	4,271
Auditors' remuneration		
– audit services	3,405	3,355
– non-audit services	1,220	375
Others	43,119	55,027
Total cost of sales, selling and marketing expenses and general and administrative expenses	24,868,598	16,954,626

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

30. Finance income and costs

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000 (Restated, Note 36)
Finance income	50,216	27,305
Interest costs on borrowings	(317,366)	(300,833)
Interest portions of lease liabilities	(15,159)	(20,390)
Less: amounts capitalised	26,466	37,555
Net foreign exchange gains/(losses)	2,902	(117)
	(303,157)	(283,785)
Finance costs — net	(252,941)	(256,480)

Borrowing costs capitalised are related to the construction of property, plant and equipment. The weighted average interest rate on such capitalised borrowing costs for the year ended 31 December 2021 was 3.79% (2020: 4.01%) per annum.

31. Taxation

(a) Hong Kong profits tax

Trend Wood Investments Limited ("Trend Wood"), Xiamen Ocean Shipping Agency (Hong Kong) Limited ("Hong Kong Ocean Shipping Agency") and Xiamen Port Haiheng (Hong Kong) Limited ("Haiheng Hong Kong") are subsidiaries of the Company incorporated in Hong Kong, their applicable income tax rate is 16.5% (2020: 16.5%).

Hong Kong profits tax has not been provided as the estimated assessable profits deriving from Hong Kong are low assessable profits for the year ended 31 December 2021 (2020: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

31. Taxation (continued)

(b) PRC corporate income tax

Approved by Xiamen Municipal Bureau of Finance, Xiamen Songyu Container Terminal Co., Ltd. ("Songyu Terminal"), a subsidiary of the Company, is entitled to a three-year reduction in corporate income tax, commencing from 2021. The income tax rate for the year ended 31 December 2021 is 15% (2020: 15%).

Approved by Xiamen Municipal Bureau of Finance, XICT, a subsidiary of the Company, is entitled to a three-year reduction in corporate income tax, commencing from 2018. The income tax rate for the year ended 31 December 2021 is 25% (2020: 15%).

Approved by Xiamen Municipal Bureau of Finance, Xiamen Terminal Group, a subsidiary of the Company, is entitled to a three-year reduction in corporate income tax, commencing from 2019. The income tax rate for the year ended 31 December 2021 is 15% (2020: 15%).

Approved by Xiamen Municipal Bureau of Finance, Xiamen Hairun Container Terminal Co., Ltd. ("Hairun Terminal"), a subsidiary of the Company, is entitled to a three-year reduction in corporate income tax, commencing from 2021. The income tax rate for the year ended 31 December 2021 is 15% (2020: 25%).

Except for Xiamen Terminal Group, Songyu Terminal, Hairun Terminal, Trend Wood, Hong Kong Ocean Shipping Agency and Haiheng Hong Kong, the Company and other subsidiaries of the Company are subject to income tax rate of 25% for the year ended 31 December 2021 (2020: except for Songyu Terminal, XICT, XCTG, Trend Wood, Hong Kong Ocean Shipping Agency and Haiheng Hong Kong, the Company and other subsidiaries of the Company are subject to income tax rate of 25%).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

31. Taxation (continued)

(b) PRC corporate income tax (continued)

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

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
PRC corporate income tax expense	250,098	212,289
Deferred income tax credit (Note 13)	(35,387)	(1,750)
	214,711	210,539

(c) Income tax expense

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

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000 (Restated, Note 36)
Profit before income tax	983,821	798,541
Less: share of profits less losses of joint ventures	(9,226)	(7,529)
Less: share of profits less losses of associates	(26,308)	(6,478)
	948,287	784,534
Tax calculated at the standard PRC tax rate of 25% (2020: 25%)	237,072	196,134
Effect of preferential tax rate of:		
– Xiamen Terminal Group	(52,145)	(36,312)
– Songyu Terminal	(8,075)	(7,337)
– XICT	–	(2,874)
– Hairun Terminal	(6,196)	–
Expenses not deductible for income tax purposes	3,236	2,873
Tax losses for which no deferred tax assets were recognised	43,399	55,037
Others	(2,580)	3,018
Income tax expense	214,711	210,539

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

32. Dividends

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Proposed final dividends		
— Domestic share	36,529	48,706
— H share	20,721	27,628
	57,250	76,334

At the Board meeting held on 25 March 2022, the Board proposed a final dividend of RMB2.1 cents per share (tax inclusive) totalling RMB57,250,000 for the year ended 31 December 2021 (2020: RMB2.8 cents per share (tax inclusive) totalling RMB76,333,600). This proposed final dividend for 2021 is not reflected as dividend payable in the consolidated financial statements until it has been approved at the annual general meeting to be held on 22 June 2022, but will be reflected as an appropriation of retained earnings for the year ended 31 December 2021.

33. Earnings per share

Basic earnings per share is calculated by dividing the consolidated profit attributable to owners of the Company for the year ended 31 December 2021 of RMB413,960,000 (2020: RMB267,685,000 (restated)) by the weighted average number of the Company's shares in issue during the year of 2,726,200,000 (2020: 2,726,200,000) shares.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

34. Notes to consolidated statement of cash flows

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

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000 (Restated, Note 36)
Profit before income tax	983,821	798,541
Adjustments for		
– Share of profits less losses of joint ventures	(9,226)	(7,529)
– Share of profits less losses of associates	(26,308)	(6,478)
– Depreciation of property, plant and equipment	654,589	612,685
– Depreciation of investment properties	7,057	7,745
– Amortisation of intangible assets	9,939	9,675
– Amortisation of right-of-use assets	212,086	216,205
– Losses/(gains) on disposal of property, plant and equipment	196	(2,754)
– Net fair value (gains)/losses on financial assets at fair value through profit or loss	(1,200)	22,500
– Provision for impairment of inventories	41,464	4,271
– Provision for impairment of receivables	22,202	31,008
– Dividend income	(3,467)	(3,188)
– Interest income	(50,216)	(27,305)
– Interest expenses	303,157	283,785
– Unrealised foreign exchange losses/(gains)	440	(8,818)
– Gain on disposal of a subsidiary	—	(12,379)
	2,144,534	1,917,964
Changes in working capital		
– Accounts and notes receivables	157,467	(215,001)
– Other receivables and prepayments	295,873	(450,731)
– Inventories	(367,731)	(322,314)
– Accounts and notes payable	46,551	576,076
– Other payables and accruals	136,211	362,816
Net cash generated from operations	2,412,905	1,868,810

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

(b) Net debt reconciliation

	As at 31 December	
	2021 RMB'000	2020 RMB'000 (Restated, Note 36)
Cash and cash equivalents	2,971,304	719,738
Borrowings — repayable within one year (including overdraft)	(8,073,342)	(7,603,576)
Borrowings — repayable after one year	(3,691,829)	(878,529)
Net debt	(8,793,867)	(7,762,367)
Cash and liquid investments	2,971,304	719,738
Gross debt — fixed interest rates	(7,960,037)	(5,405,042)
Gross debt — variable interest rates	(3,805,134)	(2,046,031)
Gross debt — interest free	—	(1,031,032)
Net debt	(8,793,867)	(7,762,367)

	Cash/ bank RMB'000 (Restated, Note 36)	Liabilities from financing activities		Total RMB'000 (Restated, Note 36)
		Borrowings due within 1 year RMB'000 (Restated, Note 36)	Borrowings due after 1 year RMB'000 (Restated, Note 36)	
Net debt as at 31 December 2019	1,883,432	(4,082,174)	(3,356,160)	(5,554,902)
Business combination under common control (Note 36)	400	(971,482)	—	(971,082)
Balance at 1 January 2020 (Restated, Note 36)	1,883,832	(5,053,656)	(3,356,160)	(6,525,984)
Net cash flows	(1,155,276)	(152,222)	137,067	(1,170,431)
Foreign exchange adjustments	(8,818)	(1,320)	(291)	(10,429)
Other non-cash movements	—	(2,396,378)	2,340,855	(55,523)
Net debt as at 31 December 2020 (Restated, Note 36)	719,738	(7,603,576)	(878,529)	(7,762,367)
Net debt as at 31 December 2020 (Restated, Note 36)	719,738	(7,603,576)	(878,529)	(7,762,367)
Net cash flows	2,251,126	(207,207)	(3,026,233)	(982,314)
Foreign exchange adjustments	440	1,130	—	1,570
Other non-cash movements	—	(263,689)	212,933	(50,756)
Net debt as at 31 December 2021	2,971,304	(8,073,342)	(3,691,829)	(8,793,867)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

35. Commitments

(a) Capital expenditure commitments

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

	As at 31 December	
	2021 RMB'000	2020 RMB'000 (Restated, Note 36)
Purchases of property, plant and equipment contracted for but not yet incurred	319,971	459,093

Committed capital expenditures as at 31 December 2021 were mainly related to the construction and upgrade of port and storage infrastructure, acquisitions of new loading and other machineries, renovation of buildings. These commitments were entered into by the Group with its suppliers before 31 December 2021 but the related capital expenditures had not been incurred as at that date.

(b) Operating lease commitments

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

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Leases within one year	4,097	6,139
Low-value leases	399	73
	4,496	6,212

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

36. Business combination under common control

On 11 October 2021, Xiamen Terminal Group, a subsidiary of the Company, entered into an Equity Transfer Agreement with XPHG, the immediate parent company of the Company, pursuant to which Xiamen Terminal Group agreed to acquire the entire equity interests in Haitong Terminal from XPHG at a consideration of RMB970,588,000 (the "Acquisition"), which was equivalent to the valuation amount of the equity of Haitong Terminal as at the valuation date of 31 March 2021, according to valuation conducted by an independent professional appraiser. Upon completion of the Acquisition, Haitong Terminal became a wholly owned subsidiary of Xiamen Terminal Group.

Haitong Terminal was established in the PRC in October 2010 and is principally engaged in the operation of container port. Haitong Terminal currently owns the Haitong Terminal located at Songyu berths NO. 4 to 6 at the Haicang port area in Xiamen port. Prior to the Acquisition, Xiamen Terminal Group had been leasing Haitong Terminal from Haitong Terminal, hence the income of Haitong Terminal was mainly rental income received from Xiamen Terminal Group.

As both of Haitong Terminal and the Company were majority owned by XPHG before the Acquisition, the Acquisition is considered as a business combination under common control. The excess of the consideration of the Acquisition over the effective interests in Haitong Terminal's net asset of RMB847,105,000 as at the acquisition date has been recorded in equity.

The reconciliation of the effect arising from the business combinations under common control on the consolidated balance sheet of the Group as at 31 December 2021 and 2020 is as follows:

The consolidated balance sheet as at 31 December 2021:

	The Group without Haitong Terminal RMB'000	Haitong Terminal RMB'000	Adjustments Note (a) RMB'000	Consolidated RMB'000
Investment in Haitong Terminal	970,588	—	(970,588)	—
Other assets — net	8,849,288	842,869	970,588	10,662,745
Net Assets	9,819,876	842,869	—	10,662,745
Share Capital	(2,726,200)	(10,000)	10,000	(2,726,200)
Reserve	(2,302,933)	(832,869)	(24,621)	(3,160,423)
Non-controlling interests	(4,790,743)	—	14,621	(4,776,122)
	(9,819,876)	(842,869)	—	(10,662,745)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

36. Business combination under common control (continued)

The consolidated balance sheet as at 31 December 2020:

	The Group without Haitong Terminal RMB'000	Haitong Terminal RMB'000	Adjustments Note (a) RMB'000	Consolidated RMB'000
Net Assets	12,597,815	871,619	—	13,469,434
Share Capital	(2,726,200)	(10,000)	10,000	(2,726,200)
Reserve	(3,105,611)	(861,619)	(21,588)	(3,988,818)
Non-controlling interests	(6,766,004)	—	11,588	(6,754,416)
	(12,597,815)	(871,619)	—	(13,469,434)

(a) The above adjustments represent adjustments to eliminate the paid-up capital of Haitong Terminal against the Group's investment costs in Haitong Terminal and the intra-group balance as at 31 December 2020 and 2021.

The reconciliation of the effect arising from the business combinations under common control on the consolidated income statement of the Group for the year ended 31 December 2021 and 2020 is as follows:

The consolidated income statement for the year ended 31 December 2021:

	The Group without Haitong Terminal RMB'000	Haitong Terminal RMB'000	Adjustments Note (a) RMB'000	Consolidated RMB'000
Revenue	25,690,112	32,920	(32,920)	25,690,112
Profit/(loss)	797,860	(28,750)	—	769,110
Attributable to the non-controlling interest	364,437	(9,287)	—	355,150

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

36. Business combination under common control (continued)

The consolidated income statement for the year ended 31 December 2020:

	The Group without Haitong Terminal RMB'000	Haitong Terminal RMB'000	Adjustments Note (a) RMB'000	Consolidated RMB'000
Revenue	17,691,738	32,042	(32,042)	17,691,738
Profit/(loss)	616,579	(11,349)	(17,228)	588,002
Attributable to the non-controlling interest	331,905	(4,602)	(6,986)	320,317

(a) The above adjustments represent adjustments to eliminate the paid-up capital of Haitong Terminal against the Group's investment costs in Haitong Terminal and the intra-group balance as at 31 December 2020 and 2021.

37. Significant related party transactions

The Group is controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest	
			2021	2020
XPHG	Immediate parent company	PRC	63.41%	63.41%
Fujian Province Port Group Limited Liability Company	Ultimate parent company	PRC	63.41%	63.41%

The company is controlled by XPHG, the immediate parent company, which is in turn subject to the control of Fujian Province Port Group Limited Liability Company.

In addition to those disclosed elsewhere in these consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year ended 31 December 2021 and balances arising from these significant related party transactions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

37. Significant related party transactions (continued)

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

		Year ended 31 December	
		2021	2020
	Note	RMB'000	RMB'000
(Restated, Note 36)			
Transactions with the immediate parent company			
Revenue			
Power supply and maintenance and electrical equipment maintenance	(i)	11,229	12,604
Expenses			
Lease rentals in respect of land, port facilities and office premises	(i)	31,712	29,643
Interest portion of lease liabilities	(i)	655	937
Others			
Purchases of right-of-use assets	(i)	20,808	10,757
Purchases of property, plant and equipment	(i)	—	14,186
Transactions with fellow subsidiaries			
Revenue			
Port services	(i)	32,419	33,468
Trading sales	(i)	—	1,011
Transportation service	(i)	779	1,562
Tally service	(i)	3,311	3,058
Lease rental in respect of land, port facilities and office premises	(i)	183	516
Forwarding service	(i)	1,492	—
Expenses			
Office and property management	(i)	20,627	15,904
Lease rentals in respect of land, port facilities and office premises	(i)	39,731	11,051
Comprehensive service fee	(i)	23,053	25,920
Labour service fee	(i)	104,939	117,722
Information services	(i)	18,825	21,387
Project management services	(i)	2,174	2,490
Interest portion of lease liabilities	(i)	6,034	8,322
Forwarding service fee	(i)	38,734	—
Others			
Purchases of property, plant and equipment	(i)	90,401	49,197

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

37. Significant related party transactions (continued)

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

Year ended 31 December			
	Note	2021 RMB'000	2020 RMB'000 (Restated, Note 36)
Transaction with joint ventures			
Revenues			
Power supply and maintenance and electrical equipment maintenance	(i)	113	98
Lease rentals in respect of land, port facilities and office premises	(i)	1,502	1,690
Loading and unloading services rendered	(i)	15,803	15,005
Expenses			
Lease rentals in respect of land, port facilities and office premises		499	1,203
Transaction with associates			
Revenues			
Lease rentals in respect of land, port facilities and office premises	(i)	—	1,503
Transactions with other related parties			
Revenues			
Loading and unloading services rendered	(i)	145,259	161,015
Expenses			
Purchases of commercial goods	(i)	66,830	41,983

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

37. Significant related party transactions (continued)

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

	Note	As at 31 December	
		2021 RMB'000	2020 RMB'000 (Restated, Note 36)
Balances with shareholders of the Company			
Dividend payable		3,111	3,111
Balances with the immediate parent company			
Other receivables and prepayments		24,885	26,266
Accounts payable		7,801	2,074
Other payables and accruals		11,618	14,473
Lease liabilities		15,471	19,715
Borrowings		1,058,000	1,031,032
Balances with fellow subsidiaries			
Accounts receivable		10,202	10,246
Other receivables and prepayments		279	5,855
Accounts payable		81,737	63,348
Other payables and accruals		12,643	10,717
Lease liabilities		101,288	112,936
Balances with joint ventures			
Accounts receivable		1,058	90
Other receivables and prepayments		2,132	—
Other payables and accruals		2,585	50
Balances with associates			
Accounts receivable		—	529
Accounts payable		1,788	381
Other payables and accruals	(i)	18,000	16,025
Balances with non-controlling shareholders of subsidiaries			
Dividend payables		30,355	29,562
Balances with other related parties			
Accounts receivable		121	8,940
Other receivables and prepayments		665	284
Accounts payable		4,546	10,137
Other payables and accruals		—	355

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

37. Significant related party transactions (continued)

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

(i) As at 31 December 2021, except for the other payables of RMB18,000,000 to associates, which is interest bearing at 3.68% per annum and has fixed terms of repayment and a borrowing of RMB1,058,000,000 from the immediate parent company which is interest bearing at 3.70% per annum and has fixed terms of repayment, other balances with related parties are unsecured, interest free and have no fixed terms of repayment or are subject to agreed credit terms for trade receivables.

(c) Key management compensation:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Fees	2,762	2,920
Basic salaries, housing allowances, other allowances and benefits-in-kind	1,418	1,446
Contributions to pension plans	751	425
Discretionary bonuses	4,716	4,762
	9,647	9,553

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

38. Particulars of subsidiaries, joint ventures and associates

(a) Subsidiaries

As at 31 December 2021, the Company had direct and indirect interests in the following subsidiaries:

		Issued share/paid-in capital		Attributable equity interests				Principal activities
		As at 31 December		As at 31 December				
		2021	2020	2021		2020		
Name	Type of legal entity	(RMB'000)		Directly held	Indirectly held	Directly held	Indirectly held	
Listed and established in the mainland of PRC								
Xiamen Port Development Co., Ltd. ("XPD")	Joint stock limited company	625,192	531,000	61.89%	—	61.89%	—	Container loading and unloading for domestic trade and bulk/general cargo loading and unloading for both domestic and international trade
Unlisted and established in the mainland of PRC								
China Ocean Shipping Agency Xiamen Co., Ltd.*	Limited liability company	150,000	30,000	—	37.13%	—	37.13%	Shipping agency services for international vessels
Xiamen Wailun Tally Co., Ltd.*	Limited liability company	17,000	17,000	—	42.70%	—	42.70%	Tallying of cargo and container services
Xiamen Port Shipping Co., Ltd.	Limited liability company	135,000	135,000	10%	55.70%	10%	55.70%	Tugboat berthing and unberthing
Xiamen Port Logistics Co., Ltd. ("XPL")	Limited liability company	65,000	65,000	—	60.03%	—	60.03%	Container deposit, land transport, international freight agency
Xiamen Port Domestic Shipping Agency Co., Ltd.*	Limited liability company	2,000	2,000	—	49.51%	—	49.51%	Shipping agency services for domestic trade
Xiamen Port Group Power Supply Service Co., Ltd.	Limited liability company	80,000	80,000	100%	—	100%	—	Operation and management of the equipment at the transformer substation
Xiamen Penavico International Freight and Forwarding Co., Ltd.*	Limited liability company	12,000	12,000	—	37.13%	—	37.13%	Agency services for import and export of products/technology, international and domestic agency services
Xiamen Penavico Navigation Co., Ltd.*	Limited liability company	6,000	2,000	—	37.13%	—	37.13%	Domestic transportation agency and labour services
Xiamen Penavico Customs Broker Co., Ltd.*	Limited liability company	5,000	5,000	—	37.13%	—	37.13%	Agency services for customs declaration

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

(a) Subsidiaries (continued)

		Issued share/paid-in capital		Attributable equity interests				
		As at 31 December		As at 31 December				
		2021	2020	2021		2020		
Name	Type of legal entity	(RMB'000)		Directly held	Indirectly held	Directly held	Indirectly held	Principal activities
Unlisted and established in the mainland of PRC (continued)								
Xiamen Penavico Logistics Co., Ltd.*	Limited liability company	3,800	3,800	—	37.13%	—	37.13%	Agency services for imports and exports of products and technology and operations of bonded warehouse
Xiamen Penavico Air Freight Co., Ltd.*	Limited liability company	8,000	8,000	—	37.13%	—	37.13%	Agency services for international air transportation
Xiamen Port Logistics Free Trade Co., Ltd.	Limited liability company	35,000	35,000	—	60.22%	—	60.22%	Agency services for import and export of products/technology and operations of bonded warehouse
Xiamen Ganghua Logistics Co., Ltd.	Limited liability company	10,000	6,630	50%	30.02%	50%	30.02%	Repair, maintenance, cleaning and renovation of containers
Xiamen Port Transportation Co., Ltd.	Limited liability company	81,000	81,000	—	61.43%	—	61.43%	Container deposit, land transport
Xiamen Port Trading Co., Ltd.	Limited liability company	270,000	180,000	—	61.89%	—	61.89%	Commodity export agency and sales
Xiamen Port Hailuda Building Material, Ltd.*	Limited liability company	7,000	7,000	—	49.51%	—	49.51%	Manufacturing, processing and selling of building materials
Xiamen Waili Logistics Management Co., Ltd.*	Limited liability company	300	300	—	53.23%	—	53.23%	Container deposit, land transport and logistics management
Xiamen Port Haicang Container Inspection Services Co., Ltd.*	Limited liability company	1,000	1,000	—	67.50%	—	44.59%	Container loading and unloading, stacking and storage management, container packing and unpacking, storage and container cargo inspection
Sanming Port Development Co., Ltd. (formerly known as "Sanming Lugang Logistics Co., Ltd.")*	Limited liability company	135,000	135,000	—	49.51%	—	49.51%	Freight forwarding and agency business, warehousing services, packing and processing, logistics and distribution and logistics information consulting services

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

(a) Subsidiaries (continued)

Name	Type of legal entity	Issued share/paid-in capital		Attributable equity interests				Principal activities
		As at 31 December		As at 31 December				
		2021	2020	2021		2020		
		(RMB'000)		Directly held	Indirectly held	Directly held	Indirectly held	
Unlisted and established in the mainland of PRC (continued)								
Sanming Port Logistics Co., Ltd.*	Limited liability company	10,000	10,000	—	49.51%	—	49.51%	Domestic and international freight agency, cargo storage, deposit and packing services
Ji'an Port Development Logistics Co., Ltd. (formerly known as "Ji'an Lugang Logistics Co., Ltd.")	Limited liability company	70,000	70,000	—	61.89%	—	61.89%	Freight forwarding and agency business, warehousing services and logistics information services
Fuzhou Haiying Port Co., Ltd.	Limited liability company	15,000	15,000	100%	—	100%	—	Container loading and unloading, stacking and storage management, container packing and unpacking
Zhangzhou City Gulei Port Development Co., Ltd.*	Limited liability company	245,000	125,953	—	31.56%	—	31.56%	Port supporting services, investment and development
Zhangzhou Gulei Harbour Highway Co., Ltd.	Limited liability company	40,000	40,000	—	61.89%	—	61.89%	Road construction, port supporting services, investment and development
Xiamen Hailong Terminal Co., Ltd.	Limited liability company	450,000	450,000	—	44.95%	—	44.95%	Bulk/general cargo loading and unloading business
Chaozhou Port Development Co., Ltd.*	Limited liability company	284,000	224,000	—	43.32%	—	43.32%	Port supporting services, investment and development
Xiamen Port Wine Co., Ltd.*	Limited liability company	8,000	8,000	—	42.02%	—	42.02%	Wholesale of pre-packaged food; import and export of merchandise and technology
Sanming Port Customs Declaration Co., Ltd.*	Limited liability company	1,500	1,500	—	49.51%	—	49.51%	Customs Declaration services
Shanghai Haiheng Industrial Co., Ltd.	Limited liability company	10,000	10,000	—	61.89%	—	61.89%	Commodity export agency and sales
Zhangzhou City Longchi Port Development Co., Ltd.*	Limited liability company	100,000	85,000	—	34.04%	—	34.04%	Port supporting services, investment and development
Xiamen Terminal Group ⁸	Limited liability company	2,436,604	2,436,604	89.70%	0.30%	59.45%	0.30%	Container loading and unloading services
Xiamen Hairun Container Terminal Co., Ltd. ⁸	Limited liability company	10,000	10,000	—	90.00%	—	59.45%	Container loading and unloading services

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

(a) Subsidiaries (continued)

		Issued share/paid-in capital		Attributable equity interests				
		As at 31 December		As at 31 December				
		2021	2020	2021		2020		
Name	Type of legal entity	(RMB'000)		Directly held	Indirectly held	Directly held	Indirectly held	Principal activities
Unlisted and established in the mainland of PRC (continued)								
Zhangzhou City Gulei Tugboat Co., Ltd.*	Limited liability company	50,000	50,000	—	49.60%	—	49.60%	Port logistics
Songyu Terminal**	Limited liability company	420,000	1,680,000	—	67.50%	—	44.81%	Container loading and unloading services
Hainan Xiagang Tugboat Co., Ltd.*	Limited liability company	72,000	72,000	—	55.70%	—	55.70%	Operation of port tugboat
Ji'an Port Logistics Co., Ltd.	Limited liability company	10,000	10,000	—	61.89%	—	61.89%	National and domestic merchandise agency, keeping and warehousing service
Xiamen Gangxing Transportation Co., Ltd.*	Limited liability company	9,500	9,500	—	31.09%	—	31.09%	Container transport
XHICT**	Limited liability company	555,515	555,515	—	45.90%	—	30.46%	Container loading and unloading for international trade
Xiamen Port Shihushan Terminal Co., Ltd.*	Limited liability company	40,000	40,000	—	44.95%	—	44.95%	Bulk/general cargo loading and unloading business
Xiamen Port Haiyu Terminal Co., Ltd.*	Limited liability company	462,000	462,000	—	44.95%	—	44.95%	Bulk/general cargo loading and unloading business
Xiamen Port Haiyi Terminal Co., Ltd.*	Limited liability company	278,000	278,000	—	44.95%	—	44.95%	Bulk/general cargo loading and unloading business
Xiamen Port Shihushan Terminal Labour Services Co., Ltd.*	Limited liability company	740	740	—	44.95%	—	44.95%	Labour services
Shishi City Huajin Terminal Storage and Transportation Co., Ltd.	Limited liability company	400,000	600,000	—	46.42%	—	46.42%	Bulk/general cargo loading and unloading business
Xiamen International Container Terminals Ltd.**	Limited liability company	1,148,700	1,148,700	—	45.90%	—	30.32%	Container loading and unloading for international trade
Xiamen Haicang XinHaiDa Container Terminals Co., Ltd.	Limited liability company	756,000	756,000	—	59.40%	—	39.24%	Terminal operation and rendering of relevant port services

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

(a) Subsidiaries (continued)

Name	Type of legal entity	Issued share/paid-in capital		Attributable equity interests				Principal activities
		As at 31 December		As at 31 December				
		2021	2020	2021		2020		
		(RMB'000)		Directly held	Indirectly held	Directly held	Indirectly held	
Unlisted and established in the mainland of PRC (continued)								
Xiamen Port Haishun Terminal Co., Ltd.	Limited liability company	13,000	13,000	100%	—	100%	—	Bulk/general cargo loading and unloading business
Xiamen Port Building Materials Supply Chain Co., Ltd.	Limited liability company	35,000	50,000	—	31.56%	—	31.56%	Manufacturing, processing and selling of building materials
Xiamen port Hai Heng Industry Co., Ltd.	Limited liability company	10,000	10,000	—	61.89%	—	61.89%	Commodity export agency and sales
Quanzhou Xiagang Tugboat Co., Ltd.	Limited liability company	5,000	20,000	—	55.70%	—	55.70%	Operation of port tugboat
Xiamen Port Haitong Terminal Co., Ltd®	Limited liability company	10,000	10,000	—	90.00%	—	—	Rental of port facilities
Zhangzhou City Haiming Logistics Co., Ltd.*	Limited liability company	5,000	—	—	37.13%	—	—	Port logistics
Xiamen Zhitusi Co., Ltd.*	Limited liability company	15,000	—	—	45.90%	—	—	Technology Service
Unlisted and established in Hong Kong of PRC								
Trend Wood	Limited liability company	HKD1	HKD1	—	90.00%	—	59.75%	Investment holding
Hong Kong Ocean Shipping Agency®	Limited liability company	HKD 1,000,000	HKD 1,000,000	—	37.13%	—	37.13%	Shipping agency services for international vessels
Haiheng Hong Kong®	Limited liability company	HKD 3,000,000	HKD 3,000,000	—	61.89%	—	61.89%	Commodity export agency and sales

* The directors of the Company consider that the Group has control over these companies through its representatives on the board of directors and voting power in these companies.

& During the year ended 31 December 2021, the Group acquired additional 30% interests in Xiamen Terminal Group, details refer to Note 9(b).

* These are newly established entities during the year ended 31 December 2021.

@ On 11 October 2021, Xiamen Terminal Group, a subsidiary of the Company, acquired 100% equity interests in Haitong Terminal from XPHG, the immediate parent company of the Company. The acquisition was accounted for as a business combination under common control. See details in Note 36.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

(b) Joint ventures

As at 31 December 2021, the Group had interests in the following joint ventures:

Name	Paid-in capital		Proportion of ownership held by the Group and profit sharing		Proportion of voting rights held by the Group		Principal activities
	As at 31 December		As at 31 December		As at 31 December		
	2021	2020	2021	2020	2021	2020	
	(RMB'000)						
Unlisted							
Xiamen Port YCH Logistics Co., Ltd. ("XPYCH")*	167,650	167,650	60%	60%	60%	60%	Agency services for import and export of products/technology and operations of bonded warehouse
Xiamen Port Baohe Logistics Co., Ltd. ("XPBL")	6,000	6,000	35%	35%	43%	43%	Container deposit, land transport, international freight agency
Fuzhou Mawei Shipping Co., Ltd.*	9,000	9,000	51%	51%	51%	51%	Container liner shipping
Xiamen Ocean Shipping Agency All-Trans Logistic Co., Ltd. ("Xiamen Agency All-Trans")*	37,882	37,882	49%	49%	49%	49%	Container deposit, land transport, international freight agency
SDIC Xiamen Port Hainan Tugboat Co., Ltd.*	83,000	83,000	49%	49%	49%	49%	Operation of port tugboat
Xiamen Oceanwide International Integrated Logistics Co., Ltd	6,000	—	51%	—	60%	—	Port logistics

- * The directors of the Company consider that the Group could not control over these companies through its representatives on the board of directors and voting power in these companies because the proportion of ownership held by the Group do not meet the required percentage in order to make strategic decisions according to the Article of Association.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

(c) Associates

As at 31 December 2021, the Group had interests in the following associates:

Name	Type of legal entity	Issued share/paid-in capital		Attributable equity interests		Principal activities
		As at 31 December		As at 31 December		
		2021	2020	2021	2020	
(RMB'000)						
Unlisted						
Xiamen Penavico Tungya Logistics Co., Ltd.	Sino-foreign cooperative joint venture	18,000	18,000	50%	50%	Provision of storage services
Quanzhou Qing Meng Logistics Co., Ltd.	Limited liability company	10,000	10,000	40%	40%	Provision of container storage, traffic and maintenance services
Xiamen Jida Building Materials Technology Co., Ltd.	Limited liability company	7,480	7,480	40%	40%	Manufacturing, processing and selling of building materials
Xiamen China United Tally Co.,Ltd.	Limited liability company	3,000	3,000	40%	40%	Tallying of cargo and container services
Xiamen Road and Bridge Xiangtong Co., Ltd.	Limited liability company	109,320	109,320	8.1%	8.1%	Manufacturing, processing and selling of building materials
Xiamen Port Haicang Free Trade Container Inspection Services Co., Ltd.	Limited liability company	10,000	10,000	16%	16%	Container loading and unloading, stacking and storage management, container packing and unpacking, storage and container cargo inspection

Except for Trend Wood, Hong Kong Ocean Shipping Agency and Xiamen Port Haiheng (Hong Kong) Limited which are incorporated in Hong Kong, all other subsidiaries, joint ventures and associates are established in the mainland of PRC.

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

Except for XPD which is a listed company in the mainland of PRC, all other subsidiaries, joint ventures and associates are private companies having substantially the same characteristics as a Hong Kong incorporated private company.

The English names of certain subsidiaries, joint ventures and associates referred to in this note represent the English translation of the Chinese names of these companies for identification purpose only as no English names have been registered.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

39. Balance sheet and reserve movement of the Company

As at 31 December			
	Note	2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Investment properties		47,383	25,617
Property, plant and equipment		54,009	79,760
Intangible assets		1,063	1,115
Right-of-use assets		51,980	43,039
Investments in subsidiaries		8,371,319	6,007,057
Interests in joint ventures		4,285	4,285
Financial assets at fair value through other comprehensive income		8,160	56,034
Long-term receivables and prepayments		502,732	502,732
Deferred income tax assets		625	625
Total non-current assets		9,041,556	6,720,264
Current assets			
Financial assets at fair value through profit or loss		45,817	1,993,941
Other receivables and prepayments		2,526,443	2,182,706
Term deposits with initial term of over three months		800,000	250,000
Cash and cash equivalents		2,003,123	218,575
Total current assets		5,375,383	4,645,222
Total assets		14,416,939	11,365,486
EQUITY			
Equity attributable to owners of the Company			
Share capital		2,726,200	2,726,200
Reserves	(a)	2,809,809	2,755,482
Total equity		5,536,009	5,481,682

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

As at 31 December		
Note	2021 RMB'000	2020 RMB'000
LIABILITIES		
Non-current liabilities		
Borrowings	2,411,457	—
Long-term payables and advances	367	394
Lease liabilities	9,424	69
Deferred income tax liabilities	1,733	100
Total non-current liabilities	2,422,981	563
Current liabilities		
Accounts and notes payable	327	1,528
Other payables and accruals	777,547	727,820
Borrowings	5,680,000	5,153,686
Lease liabilities	75	207
Total current liabilities	6,457,949	5,883,241
Total liabilities	8,880,930	5,883,804
Total equity and liabilities	14,416,939	11,365,486

Cai Liquan
Director

Chen Zhaohui
Director

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

(a) Reserve movement of the Company

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

(a) Reserve movement of the Company (continued)

	Other reserves			Total RMB'000	Retained earnings RMB'000	Total RMB'000
	Capital surplus RMB'000	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000			
Balance at 1 January 2021	(61,484)	391,229	19,048	348,793	2,406,689	2,755,482
Changes in the fair value of financial assets at fair value through other comprehensive income	—	—	2,648	2,648	—	2,648
— Gross	—	—	3,531	3,531	—	3,531
— Related deferred income tax	—	—	(883)	(883)	—	(883)
Transfer of gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	—	—	2,253	2,253	(2,253)	—
— Gross	—	—	3,003	3,003	(3,003)	—
— Related deferred income tax	—	—	(750)	(750)	750	—
Profit for the year	—	—	—	—	128,013	128,013
2020 final dividends	—	—	—	—	(76,334)	(76,334)
Profit appropriation	—	12,801	—	12,801	(12,801)	—
Balance at 31 December 2021	(61,484)	404,030	23,949	366,495	2,443,314	2,809,809
Representing:						
— 2021 proposed final dividends	—	—	—	—	57,250	57,250
— Others	(61,484)	404,030	23,949	366,495	2,386,064	2,752,559
	(61,484)	404,030	23,949	366,495	2,443,314	2,809,809

40. Subsequent events

On 4 January 2022, The Group completed the acquisition of the remaining aggregate 10% equity interest in Xiamen Terminal Group held by Xiamen ITG and Pointer Investment at a total consideration of RMB796,098,430, thereafter the Group holds 100% effective equity interest in Xiamen Terminal Group.

For the period ended to the date of this report in 2022, the Company has issued four tranches of the super short-term notes successively, and the net proceeds were used for repaying the relevant issued super short-term notes which were due, supplementing the Group's working capital and repaying the Group's bank loans and other interest-bearing debts, respectively. The details of the issues are as follows:

- (i) On 19 January 2022, the Company has completed the issue of the first tranche of the super short-term notes in 2022 with a term of 180 days from the date of issue with a total principal amount of RMB1,100,000,000 at a fixed interest rate of 2.55% per annum.
- (ii) On 18 February 2022, the Company has completed the issue of the second tranche of the super short-term notes in 2022 with a term of 90 days from the date of issue with a total principal amount of RMB1,050,000,000 at a fixed interest rate of 2.28% per annum.
- (iii) On 28 February 2022, the Company has completed the issue of the third tranche of the super short-term notes in 2022 with a term of 179 days from the date of issue with a total principal amount of RMB800,000,000 at a fixed interest rate of 2.27% per annum.
- (iv) On 7 March 2022, the Company has completed the issue of the fourth tranche of the super short-term notes in 2022 with a term of 150 days from the date of issue with a total principal amount of RMB1,000,000,000 at a fixed interest rate of 2.19% per annum.

On 10 February 2022, Port Logistics, a subsidiary of the Group, and Box Technology (Shenzhen) Co., Ltd. ("Box Technology") entered into a framework agreement, whereby Port Logistics and Box Technology will jointly invest in establishing Fujian Ganglianjie Logistics Technology Co., Ltd. ("Ganglianjie"), of which, the capital of RMB5,100,000 will be injected by Port Logistics. Upon the completion of the transaction, (i) Port Logistics will effectively hold 51% effective equity interests in Ganglianjie, and (ii) Box Technology will hold 49% effective equity interests in Ganglianjie.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

40. Subsequent events (continued)

On 21 February 2022, the Company has completed the issue of the first tranche of the medium-term notes in 2022 with a term of 3 years from the date of issue with a total principal amount of RMB1,200,000,000 at a fixed interest rate of 3.00% per annum. RMB680,000,000 of the net proceeds from the issue of the first tranche of the medium-term notes in 2022 were used for repaying the sixth tranche super short-term notes in 2021 and the seventh tranche super short-term notes in 2021 issued by the Company and were due, the remaining RMB520,000,000 were used for supplementing the working capital of the Group.

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

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

Tel: +86-592-5829478

Fax: +86-592-5613177

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