# 遠航港口發展有限公司
# OCEAN LINE PORT DEVELOPMENT LIMITED

(Incorporated in the Cayman Islands with limited liability)

**Stock Code : 8502**

# Annual Report 2021

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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors:

Mr. Kwai Sze Hoi *(Chairman)*
Mr. Huang Xueliang

### Non-executive Director:

Ms. Cheung Wai Fung

### Independent non-executive Directors:

Mr. Nie Rui
Mr. Cheung Sze Ming
Dr. Li Weidong

## AUTHORISED REPRESENTATIVES

Mr. Kwai Sze Hoi
Mr. Lee Chun Hin

## AUDIT COMMITTEE

Mr. Cheung Sze Ming *(Chairman)*
Mr. Nie Rui
Dr. Li Weidong

## REMUNERATION COMMITTEE

Mr. Nie Rui *(Chairman)*
Mr. Cheung Sze Ming
Dr. Li Weidong

## NOMINATION COMMITTEE

Dr. Li Weidong *(Chairman)*
Mr. Nie Rui
Mr. Cheung Sze Ming

## COMPANY SECRETARY

Mr. Lee Chun Hin

## COMPLIANCE ADVISER

Alliance Capital Partners Limited
(compliance adviser agreement expired on 26 March 2021)

## COMPLIANCE OFFICER

Mr. Kwai Sze Hoi

## AUDITOR

BDO Limited

## PRINCIPAL BANKERS

Agricultural Bank of China
Chizhou Jiuhua Rural Commercial Bank
Huishang Bank
Industrial and Commercial Bank of China (Asia) Limited
BNP Paribas

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

## REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

# CORPORATE INFORMATION

## HEADQUARTERS, HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 8 Yanjiang Avenue
Chizhou Economic Development Zone
Chizhou, Anhui
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

Room 2715–16, 27/F.
Hong Kong Plaza
188 Connaught Road West
Hong Kong

## COMPANY WEBSITE

www.oceanlineport.com

## STOCK CODE

8502

# CHAIRMAN'S STATEMENT

Since 2007, we have established Chizhou Port Ocean Line Holdings Limited in Chizhou City, Anhui Province, the People's Republic of China (the "**PRC**"). We have been operating at the Jiangkou Terminal and the Niutoushan Terminal since 2008 and 2013, respectively. The subsidiaries of Ocean Line Port Development Limited (the "**Company**", together with its subsidiaries, the "**Group**") were granted honour such as the National Outstanding Foreign Investment Enterprise as well as the Outstanding Foreign Investment Enterprise in Anhui Province and in Chizhou City (全國、安徽省、池州市優秀外資企業), Credible Enterprise of Yangtze River Transportation System (長江航運系統誠信企業), Outstanding Transportation Enterprise in Anhui Province (安徽省聯合運輸優秀企業) and Grade A Tax Credit Enterprise in Anhui Province (安徽省A級納稅信用企業) and became the only terminal classified as national Category-1 port in Chizhou City and the largest public terminal. In 2021, the Jiangkou Terminal was awarded the honour as a Multi-mode Transport Demonstration Project under the"14th Five-Year Plan" (「十四五」多式聯運示範項目).

2021 is important as a year denoting the commencement of the "14th Five-Year Plan" by the PRC government, and is also a crucial year for our quality development. The Group has overcome difficulties and achieved steady growth of major indicators through "focusing on management internally, expanding market externally" (「內抓管理，外拓市場」) and our robust launch of "Cost Reduction and Efficiency Enhancement" (「降本增效」) campaign. In terms of long-term planning, we have taken initiative to actively formulate plans for our projects, innovate in business model, and expand the space for development. The overall business volume of our ports has increased compared with 2020, evidencing a good start for the "14th Five-Year Plan". Under the complex and severe development trend in operation, we have achieved throughput volume of 27.4 million tonnes, representing a year-on-year increase of 18.8% and ranking first among port enterprises in Anhui Province in terms of throughput volume for three consecutive years; achieved a revenue of RMB165.8 million, representing a year-on-year increase of 10.2%; and achieved a profit of RMB79.5 million, representing a year-on-year increase of 23.9% and reaching the record high. Various per capita indicators were at the advanced level of port industry. We continue to lead the key port enterprises along the Yangtze River.

We have made satisfactory progress in the construction of various port projects. Development plans for projects such as Jiangkou Terminal Phase IV and Meilong Port Terminal (梅龍港口碼頭) have been pushed forward in an orderly manner. In addition, we have continued to promote "Costs Reduction and Efficiency Improvement" campaign, further strengthen cost control and improve operational efficiency, achieving remarkable results.

Safe and environmental production without general or major accidents throughout the year has been achieved, with the rate of minor accidents maintained within controllable range, facilitating steady safety and environment protection conditions. Through the "three capabilities" in environmental protection, i.e. reception and treatment of domestic garbage on ships, domestic sewage and oily sewage, environmental protection enhancement constructions such as greening of the port area and Harbor Appearance Improvement Action etc., we have achieved good results in promoting the construction of ecologically green ports.

# CHAIRMAN'S STATEMENT

The PRC government emphasizes on infrastructure investment. The successive promulgation of the "14th Five-Year Plan" in relation to traffic and transportation has provided strong support for the quality development of inland ports. In addition, the steady progress on national strategies such as the "Yangtze River Economic Belt" (「長江經濟帶」) and the "Yangtze River Delta Integration" (「長三角一體化」) has accelerated the construction of the free trade zone in Anhui and national hubs of port logistics. It is expected that the economic development of the Yangtze River Basin will welcome a new historic stage. We shall adhere to the concept of "relying on ports for logistics and developing logistics for strengthening ports" (「依托港口做物流，發展物流強港口」), uphold the target of "Six Most" (「六最」), which consists of the simplest organization, the most elite personnel, the most flexible mechanism, the highest efficiency, the best service and the best effectiveness, brace the principle of "focusing on management internally and expanding market externally", consolidate development foundation and create development advantages.

We shall highly focus on the core tasks of "Two-Wheel Drive, Costs Reduction and Efficiency Improvement, Culture Construction and Green Development" to gradually expand the market, explore our internal potentials, promote construction projects, and strengthen safety and environmental protection. We shall make concerted efforts, have the courage to take responsibility, seize opportunities, focus on innovation, strive for excellence, forge ahead and strike forward to work hard for the continuing development of the Group.

**Ocean Line Port Development Limited**
**Kwai Sze Hoi**
*Chairman and Executive Director*

Hong Kong, 23 March 2022

## BUSINESS REVIEW

The Group is an inland terminal operator in the PRC and is principally engaged in the provision of port logistic services (including uploading and unloading of cargoes, bulk cargo handling services, container handling, storage and other services). The Group operates two port terminals, namely, Jiangkou Terminal and Niutoushan Terminal, both situated in Chizhou City, Anhui Province, the PRC. Chizhou City, located in the upper reach of the downstream section of the Yangtze River, is an important port city in the southwestern region of Anhui Province. It is also a crucial component of the integrated development of the Yangtze River Delta. With abundant mining resources as its biggest strengths, Chizhou City is an integral non-metallic mineral base in Eastern China. There are eleven berths in the two major terminals of the Group, including the four berths of the new phase (Phase III) of Jiangkou Terminal, making the Group the largest public port operator in Chizhou City, as well as an important driver of the opening up and promoting investment and business in Chizhou City.

For 2021, the throughput volume of bulk cargo and container were 27.4 million tonnes (2020: 23.0 million tonnes) and 12,384 TEUs (2020: 17,034 TEUs), respectively, representing an increase of 18.8% and a decrease of 27.3%, respectively as compared to 2020. The Group's revenue and profit were RMB165.8 million (2020: RMB150.5 million) and RMB79.5 million (2020: RMB64.2 million), representing an increase of 10.2% and 23.9%, respectively as compared to 2020.

Facing the complex and severe development trend in operation in 2021, we worked together to "do great things, overcome difficulties and achieve practical results" (「辦大事、克難事、成實事」). The overall business volume of our ports has increased as compared with 2020, evidencing a good start to the "14th Five-Year Plan". The throughput volume of the ports was mainly influenced by the following factors:

**Firstly, domestic economy recovered rapidly.** The global trade of goods has experienced a brief and deep decline due to the impact of the COVID-19 pandemic last year. In addition, with the rise of international trade protectionism, the decrease in production of basic industries such as steelmaking and the decrease in demand for non-metallic minerals, inflicting influence on the port business of the Group. However, as the PRC government has successively introduced a series of policies that supporting enterprises and the pandemic prevention and control has been taking effect, continuous recovery has become the trend this year. Industrial production, consumption market and enterprises recovered rapidly and the supply and demand of commodities flourished. Based on the operations and capital commitments of our port business, it is estimated that the Group have sufficient funds to satisfy its working capital and capital expenditure requirements.

**Secondly, the throughput capacity advantages were fully utilised.** The new phase (Phase III) of Jiangkou Terminal is equipped with advanced equipment, which meets the actual production and operation needs with high working efficiency. The advantages of throughput capacity were being further brought into play.

**Thirdly, the impact of container business.** The decline in the container business was not in line with the gradual improving economic trend. The severe overstock of foreign containers at foreign terminals led to the continuous increase in ocean freight and the shortage in empty containers, causing the increase in the cost of container transportation, creating greater impact on the "Bulk Cargoes to Containers" ("散改集") (the change in transportation form from bulk cargo to container) operation that has just started in the Chizhou City market as well as on our container business.

**Fourthly, enhancing marketing efforts and facilitating the development of our ports.** The Group has a group of experienced management team. Facing the uncertainty of the market, we have taken the initiative to visit enterprise in depth, grasp the source of commodities in a timely manner, expand the hinterland of our ports, consolidate existing customer base and explore marginal customers. We have adopted the innovative marketing approach of "Port at the front, Park at the back" (「前港後園」) to target quality customers, vigorously develop logistics business, and implement the Two-Wheel Drive (雙輪驅動) strategy of traditional stevedoring and modern logistics.

**Fifthly, the "Costs Reduction and Efficiency Improvement".** We have continued to promote "Costs Reduction and Efficiency Improvement" activities to further strengthen our cost control and improve our operational efficiency, and achieved remarkable results.

## OUTLOOK

2022 is an important year for implementing the "14th Five-Year Plan". We shall deeply analyze the risks and challenges faced, accurately grasp the development opportunities, and strive for better results.

### Risks and challenges

Firstly, the changing international situation and the pandemic cast impacts on the global production and logistics supply chain. The PRC's economy is facing pressure such as shrinking demand, short supply and expected declining trend.

Secondly, the competition of the water transportation market in Chizhou City is fierce. It is expected that the container market condition of persistently high ocean freight and insufficient empty containers will continue in the short term. Adjustment of cargo transportation structure and changes in source of commodities will bring challenges to our port business.

Thirdly, restrictive factors are highlighted. The requirements for environment protection continuously increase. The dual carbon and dual limitation (雙碳雙限) policy introduced by the PRC government has affected the market and economy. In addition, we also face more challenges in improving the standards for pollution prevention and control as well as emission control of our ports.

### Development opportunities

Firstly, the steady progress on national strategies such as the "Yangtze River Economic Belt" (「長江經濟帶」) and the "Yangtze River Delta Integration" (「長三角一體化」) has accelerated the construction of the free trade zone in Anhui and national hubs of port logistics. It is expected that the economic development of the Yangtze River Basin will welcome a new historic stage, the stability of the industrial chain will be enhanced, the market demand will increase steadily, and our port business will develop in a good momentum.

Secondly, the PRC government emphasizes infrastructure investment. The successive promulgation of the "14th Five-Year Plan" in relation to traffic and transportation has provided strong support for the quality development of inland ports.

Thirdly, in view of the prolonged suspension of mining corporations' production after the Spring Festival in 2021, the Chizhou City municipal government attaches great importance to the resumption of work and production of the mining corporations after the Spring Festival in 2022 and to the solution for practical difficulties encountered by the mining corporations, in order to enable the rapid development of the mining economy.

In response to the risks brought by the COVID-19 pandemic, we have arranged vaccination for all our employees in Chizhou City and established various pandemic prevention measures which our employees are required to strictly follow. In 2022, we shall adhere to the concept of "relying on ports for logistics and developing logistics for strengthening ports" (「依托港口做物流，發展物流強港口」), promote industrial development, accelerate the perfection of port service system, make up for shortcomings, improve quality and efficiency, prevent risks and be well prepared for better results in 2022.

## FINANCIAL REVIEW

### Revenue

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2020 | Increase/(decrease) | |
| | RMB'000 | RMB'000 | RMB'000 | % |
| Revenue from provision of uploading and unloading services | | | | |
| Bulk cargo and break bulk cargo | **149,462** | 134,914 | 14,548 | 10.8 |
| Containers | **1,949** | 2,633 | (684) | (26.0) |
| Subtotal | **151,411** | 137,547 | 13,864 | 10.1 |
| Revenue from provision of ancillary port services | **14,426** | 12,955 | 1,471 | 11.4 |
| Total revenue | **165,837** | 150,502 | 15,335 | 10.2 |

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2020 | Increase/(decrease) | |
| | | | | % |
| Total cargo throughput (thousand tonnes) | **27,363.7** | 23,024.1 | 4,339.6 | 18.8 |
| Container throughput (TEUs) | **12,384** | 17,034 | (4,650) | (27.3) |

Our revenue which is principally generated from the provision of uploading and unloading services was approximately RMB151.4 million for the year ended 31 December 2021 and RMB137.5 million for the year ended 31 December 2020. The increase in revenue was mainly due to the increase in cargo handling revenue since the throughput of cargo increased by approximately 4.3 million tonnes as compared with last year. The increase in throughput volume of cargo was mainly due to the rebound in market demand after the pandemic in the PRC, and gradual recovery of the PRC's domestic trade and foreign trade.

## Cost of services

Our cost of services primarily consists of depreciation of property, plant and equipment, staff cost, subcontracting fee, fuel and oil, consumables, electricity, repairs and maintenance expenses and others.

For the year ended 31 December 2021, our cost of services was approximately RMB68.2 million (2020: RMB66.6 million), representing an increase of RMB1.6 million or approximately 2.4% as compared to the last year. The increase in cost of services was mainly attributable to net effect of (i) the increase in depreciation of property, plant and equipment of approximately RMB0.9 million due to additional property, plant and equipment commencing to be depreciated; (ii) the increase in staff cost and subcontracting fee of approximately RMB3.8 million which was driven by the increase in transportation and handling services due to the increase in throughput volume of cargo by 18.8% in terms of tonnes; and (iii) decrease in decrease in repairs and maintenance expenses of approximately RMB3.2 million due to less large-scale repair and maintenance activities being carried out during the year.

## Gross profit and gross profit margin

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2020 | Increase | |
| | | | | % |
| Gross profit (RMB'000) | **97,685** | 83,892 | 13,793 | 16.4 |
| Gross profit margin (%) | **58.9** | 55.7 | 3.2 | N/A |

For the year ended 31 December 2021, our gross profit increased to approximately RMB97.7 million. The increase in gross profit was primarily due to the increased throughput volume of cargo by 18.8% in terms of tonnes for the year ended 31 December 2021 as compared to the last year. Our gross profit margin increased to 58.9%. The increase was primarily due to our business achieved economies of scale through greater utilisation of our throughput capacity.

## Administrative expenses

For the year ended 31 December 2021, our administrative expenses increased by approximately RMB3.7 million or 26.3% which was primarily due to increase in administrative staff costs of approximately RMB3.8 million. The increase in administrative staff costs was mainly due to the growth of our business and research and development related staff costs for the improvement and development of port equipment, computer system and technique to be used in our port operations incurred during the year.

### Income tax expenses

For the year ended 31 December 2021, the Group's income tax expense amounted to approximately RMB14.7 million (2020: RMB11.1 million), representing an increase of RMB3.6 million or approximately 32.4% as compared to last year. The increase was due to increase in the Group's profit before tax for the year ended 31 December 2021 as compared to the same period of last year. For the year ended 31 December 2021, the effective tax rate is approximately 15.6% (2020: 14.7%). Should the deferred tax charge for the year ended 31 December 2021 of approximately RMB2.0 million be excluded, the adjusted effective tax rate would have been approximately 13.5%. Our adjusted effective tax rate for the year ended 31 December 2021 was lower than that of the PRC EIT standard rate of 25% mainly because of full tax exemption for three years for the Qualifying Project of Chizhou Port Holdings from 2019 to 2021.

### Profit for the year

As a result of the foregoing, we recorded profit for the year of approximately RMB79.5 million (2020: RMB64.2 million). Our net profit margin was approximately 47.9% (2020: 42.6%).

### Property, plant and equipment

As at 31 December 2021, net carrying amount property, plant and equipment amounted to approximately RMB426.4 million (31 December 2020: RMB426.5 million). It mainly represented (i) terminal facilities of approximately RMB284.5 million (31 December 2020: RMB282.4 million); (ii) port machinery and equipment of approximately RMB48.8 million (31 December 2020: RMB56.1 million), and (iii) right-of-use assets of approximately RMB62.6 million (31 December 2020: RMB53.1 million). The increase of the balance was mainly due to the net effect of (i) addition of property, plant and equipment (including construction in progress and right-of-use assets) of approximately RMB30.1 million and (ii) depreciation charges of RMB27.4 million for the year. Addition of property, plant and equipment mainly represented the addition of terminal facilities and port machinery and equipment of new phase (Phase III) of Jiangkou Terminal and transfer of land use right of a piece of land located in Chizhou City to the Group (Description of the transfer is set out in the Business Update in page 12 of this annual report) during the year.

### Financing and credit facilities

As at 31 December 2021, the Group had no outstanding bank borrowings (31 December 2020: no outstanding bank borrowings) and cash balances amounted to approximately RMB231.2 million (31 December 2020: RMB122.5 million). Available but unused banking facilities amounted to approximately RMB115.8 million (31 December 2020: RMB115.8 million).

## BORROWINGS AND GEARING RATIO

As at 31 December 2021, the Group had total debts of approximately RMB1.0 million (31 December 2020: RMB1.0 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations.

As at 31 December 2021, the gearing ratio of the Group, calculated as the total debts which include payable incurred not in the ordinary course of business, divided by the total equity, was approximately 0.2% (31 December 2020: 0.2%).

## DIVIDEND

The board of Directors of the Company (the "**Board**") does not recommend the payment of dividend for the year (2020: Nil).

## BUSINESS UPDATE

During the year ended 31 December 2020, the Group has succeeded in the bid of the land use right of a piece of land located in Chizhou City, Anhui Province, the PRC (the "**Target Land**") through the listing-for-sale process conducted by a local bureau of Chizhou City at a consideration of approximately RMB11,020,000. In April 2021, the Group has obtained the land use rights certificate and the land use right of the Target Land has been transferred to the Group.

## MANAGEMENT EXECUTIVE DIRECTOR AND CHAIRMAN

**KWAI Sze Hoi (桂四海)**, aged 72, is the chairman of our Board and an executive director of the Company. He was appointed as a director on 30 October 2017 and was re-designated as an executive Director on 1 June 2018.

As one of our founders and a member of controlling shareholders of the Company, he is mainly responsible for the overall management and development of the Group as well as the formulation and implementation of our business strategies. Mr. Kwai has over 40 years of experience in international shipping and port operation business. In the early 1990s, Mr. Kwai established Ocean Line Holdings Limited ("**Ocean Line Holdings**") in Hong Kong and has been serving as the chairman of its board and chief executive officer since then. After over three decades of development, Ocean Line Holdings has become a diversified, sizable and integrated enterprise which primarily engages in international shipping business with port, logistic and mining as its ancillary businesses and financial investment as its supporting business. Currently, Ocean Line Holdings wholly-owns, operates and manages a fleet of seagoing vessels with a total carrying capacity of nearly 4.0 million deadweight tonnage.

He also invests in and operates bulk cargo (such as ores) terminal business in Tianjin Port through joint ventures established by Ocean Line Holdings and Tianjin Port Development Holdings Limited.

In 2007, Mr. Kwai established Ocean Line Group (Chizhou) Port Development Inc. and is responsible for the formulation and development of business strategies. He has also served as the chairman of the board as well as a non-executive director of Brockman Mining Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0159) and the Australian Securities Exchange (stock code: BCK) since 2012.

Mr. Kwai graduated from Anhui University with a Bachelor degree in Foreign Language Studies in English in 1975. Mr. Kwai is the husband of Ms. Cheung Wai Fung.

## EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

**HUANG Xueliang (黃學良)**, aged 59, is our executive Director and chief executive officer. He was appointed as a Director on 7 December 2017 and re-designated as an executive Director on 1 June 2018. He is responsible for the overall management and supervision of the operation of our PRC operating subsidiaries.

Mr. Huang has over 14 years of experience in the port logistic services industry in Chizhou City, Anhui Province. Mr. Huang joined our Group in June 2008. Since June 2008, Mr. Huang has also served as the Assistant President of Ocean Line Holdings and has become the Vice President of Ocean Line Holdings since February 2019. Since June 2008, Mr. Huang has acted as the managing director of Ocean Line Group Chizhou Company Limited (遠航集團池州有限公司), an investment holding company, and has been responsible for overseeing its investment projects.

Mr. Huang obtained a Professional diploma in Economic Management from Anhui Institute of Finance and Trade in 1994. He further obtained a Professional diploma in Business Administration from Anhui University in 1998 and a Professional postgraduate diploma in World Economics from Fudan University in 2002. Mr. Huang has extensive experience in corporate management. Prior to joining our Group, he worked at various companies in the PRC in textile engineering, tourism, asset management and chemical engineering at senior management level. Mr. Huang is currently a member of the Chizhou City People's Congress Standing Committee, the vice president of Anhui Port Association* (安徽省港口協會) and the vice president of Chizhou Entrepreneur Association* (池州市企業家協會).

Mr. Huang has, on numerous occasions, received awards from port logistic industry organisations and governmental authorities after joining our Group. For instance, in December 2017, Mr. Huang was named one of the Top Ten Most Outstanding People at the sixth Yangtze River Shipping industry awards ceremony held by Changjiang River Administration of Navigational Affairs (長江航務管理局); in March 2019, he was honoured with the title of Outstanding Professional Manager of Anhui Province at the 40th Anniversary of Reform and Opening Up in the sixth award ceremony (紀念改革開放40周年暨第六屆安徽省傑出職業經理人); in December 2020, he was awarded the honorable title of National Labor Model in the Logistics Industry (全國物流行業勞動模範).

## NON-EXECUTIVE DIRECTOR

**CHEUNG Wai Fung (張惠峰)**, aged 69, is one of our founders and a member of controlling shareholders and a non-executive Director of the Company. She was appointed as a Director on 7 December 2017 and re-designated as a non-executive Director on 1 June 2018. Ms. Cheung is primarily responsible for providing advice to the Board on business strategy of our Group.

Ms. Cheung founded Ocean Line Holdings together with Mr. Kwai in 1994 and was appointed as a director responsible for overseeing finance and human resources. In addition, Ms. Cheung has over 15 years of experience in hotel management industry. Since 2005, Ms. Cheung was appointed as the chairman of Anhui Jinjiuhua International Hotel Company Limited (安徽金九華國際大酒店有限公司), a PRC company conducting hotel businesses in Anhui Province, the PRC and she is responsible for the design and construction of the hotel as well as overseeing the management decisions of the company.

Ms. Cheung obtained a bachelor's degree in Chinese Medicine from the Guangzhou University of Chinese Medicine in 1978.

Ms. Cheung is the spouse of Mr. Kwai.

## INDEPENDENT NON-EXECUTIVE DIRECTOR

**NIE Rui (聶睿)**, aged 45, was appointed as independent non-executive Director ("**INED**") on 1 June 2018. He is the chairman of the remuneration committee (the "**Remuneration Committee**") and a member of each of the audit committee (the "**Audit Committee**") and the nomination committee (the "**Nomination Committee**") of the Company. Mr. Nie is responsible for supervising and providing independent judgement to our Board, the Audit Committee, the Remuneration Committee and the Nomination Committee.

* *For identification only*

Mr. Nie has over 21 years of experience in investment banking and corporate finance. Between July 2000 and December 2001, Mr. Nie worked as an investment banking analyst at Morgan Stanley. From January 2002 to May 2005, Mr. Nie worked at the Deutsche Bank Group and his last position held with the Deutsche Bank Group was an investment banking associate. In June 2005, he joined HSBC and his last position held with HSBC was the Managing Director and Head of China Equity Capital Markets. Since September 2015, Mr. Nie joined Rainbow Capital Management Limited, where he is currently serving as the Chief Executive Officer. Mr. Nie has been acting as a managing partner of Welight Capital HK Limited since December 2019.

Mr. Nie obtained a Bachelor of Arts in Philosophy, Politics and Economics from Oxford University in 2000.

**CHEUNG Sze Ming (張詩敏)**, aged 52, was appointed as INED on 6 November 2020. He is the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. Mr. Cheung is responsible for supervising and providing independent judgement to our Board, the Audit Committee, the Remuneration Committee and the Nomination Committee.

Mr. Cheung served as an executive director, the company secretary and the chief financial officer of Affluent Partners Holdings Limited (stock code: 1466), the issued shares of which are listed on the Main Board of the Stock Exchange, from April 2018. Mr. Cheung also served as an independent non-executive director of Great Wall Terroir Holdings Limited, formerly known as Great Wall Belt & Road Holdings Limited, (stock code: 524), the issued shares of which are listed on the Main Board of the Stock Exchange, from March 2021. He holds a bachelor's degree in Accountancy from the Hong Kong Polytechnic University. He is also a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung has accumulated over 20 years of working experience from an international audit firm and public listed companies. He had spent about 8 years in the international audit firm and was an audit manager before he left the firm. Thereafter, Mr. Cheung has held different senior positions in various public listed companies. He was an executive director and chief financial officer of Dingyi Group Investment Limited (stock code: 508), the issued shares of which are listed on the Main Board of the Stock Exchange, from October 2011 to March 2018.

**LI Weidong (李偉東)**, aged 53, was appointed as INED on 1 June 2018. He is the chairman of the Nomination Committee and a member of each of the Audit Committee and Remuneration Committee. Dr. Li is responsible for supervising and providing independent judgement to our Board, the Audit Committee, the Remuneration Committee and the Nomination Committee.

Dr. Li has over 28 years of experience in the legal industry. He joined Nanjing Zhongshan Law Firm as an associate in September 1992. Dr. Li was admitted as a PRC lawyer in September 1993. Dr. Li also practices as a foreign lawyer in Hong Kong since May 2014. From February 1994 to April 1997, he worked as an associate at Jiangsu Jingwei Law Firm. He became a partner of Guangdong Haipei Law Firm in November 2003 and has served as supervisor of the firm since July 2013.

Dr. Li graduated from Nanjing University with a Bachelor of Science degree in Geochemistry in 1990, before completing his Bachelor of Law degree at the same university in 1992. He further obtained a Doctor of Philosophy with the City University of Hong Kong in July 2004. Dr. Li has been acting as an independent director of following companies: (i) LUfax Holding Ltd, a company listed on the New York Stock Exchange (stock code: LU) in October 2020, from April 2018; and (ii) China Traditional Chinese Medicine Holdings Co. Limited (中國中藥控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 00570), since February 2019. Dr. Li served as an independent director of the following companies: (i) Netac Technology Company Limited (深圳市朗科科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300042.SZ), from February 2014 to February 2017; (ii) Shenzhen MYS Environmental Protection & Technology Company Limited (深圳市美盈森環保科技股份有限公司), currently referred to as MYS GROUP CO., LTD. (美盈森集團股份有限公司) and a company listed on the Shenzhen Stock Exchange (stock code: 002303.SZ), from September 2013 to November 2019; (iii) Shenzhen Liantronic Co., Ltd (深圳市聯建光電股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300269.SZ), from September 2018 to December 2019; and (iv) Avic Sanxin Co., Ltd (中航三鑫股份有限公司), currently referred to as Hainan Development Holdings Nanhai Co., Ltd. (海控南海發展股份有限公司) and a company listed on the Shenzhen Stock Exchange (stock code: 002163.SZ), from June 2018 to June 2020.

## SENIOR MANAGEMENT

**Mr. LEE Chun Hin (李俊軒)**, aged 34, joined our Group on 10 July 2019 and is our financial controller and company secretary. He is primarily responsible for financial reporting, financial planning, treasury and financial control and corporate secretaries practices and procedures of our Group.

Mr. Lee has over 12 years of experience in providing accounting and auditing services. He worked in BDO Limited from June 2015 to July 2019 with his last position as an audit manager. He has extensive experience in auditing and financial reporting, particularly with respect of companies listed on the Stock Exchange.

Mr. Lee graduated from Edinburgh Napier University, with a bachelor's degree in Accounting in 2011. He has been a member of the Hong Kong Institute of Certified Public Accountants since 2019.

**Mr. GUI Siqing (桂四清)**, aged 57, is the deputy general manager of Chizhou Port Holdings. He has over 30 years of experience in accounting and financial management. He also has over ten years of experience in the port logistic services industry. Mr. Gui joined our Group on 3 June 2016 and is responsible for overseeing the day-to-day port operation and financial reporting of Chizhou Port Holdings. Prior to joining our Group, Mr. Gui worked at the Accounting Department and the small commodity branch of Anqing Department Store Company (安慶百貨公司) from July 1984 to December 2007 with his last position as a deputy manager, where he was responsible for overseeing the company's financial and accounting operations. From December 2007 to May 2016, he worked in the financial department of Anqing Port Ocean Line Holdings Limited with his last position as the company general manager, where he was wholly responsible for the production and operation of the company.

Mr. Gui obtained a Professional diploma in Financial Accounting from Anhui College of Finance and Commerce in July 1991.

# DIRECTORS' REPORT

The Directors are pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 39 to the consolidated financial statements.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of comprehensive income on page 69 of this annual report.

The Directors did not recommend the payment of a final dividend for the year.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23 May 2022 (Monday) to 26 May 2022 (Thursday) (both days inclusive, 4 business days in total) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the annual general meeting, unregistered holders of Shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 20 May 2022 (Friday).

## BUSINESS REVIEW AND PERFORMANCE

A fair review of the Group's business, a discussion and analysis of the Group's performance during the year and an analysis of the likely future development of the Group's business are set out in the Management Discussion and Analysis from pages 6 to 12. Description of the principal risks and uncertainties facing the Group are set out in the Corporate Governance Report from pages 27 to 39 of this annual report and note 34 to the consolidated financial statements.

Except as disclosed elsewhere in consolidated financial statement, there is no important event affecting the Group that had occurred since the end of the year up to the date of this report. In addition, further discussion on the key relationships with the Company's key stakeholders, the Group's environmental policies and performance as well as compliance with relevant laws and regulations which have a significant impact on the Group are provided throughout the section "Environmental, Social and Governance Report".

## PROPERTY, PLANT AND EQUIPMENT

Details of changes in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

## SHARE CAPITAL

There were no movements in the Company's share capital during the year.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "**Articles**") or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the Consolidated Statement of Changes in Equity on from pages 72 to 73 and note 38 to the consolidated financial statements respectively.

## DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2021, the Company had the aggregate amount of reserves of approximately RMB21,374,000 available for distribution to the shareholders of the Company ("**Shareholders**") (2020: RMB24,524,000).

## FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 144 of this annual report.

## EQUITY-LINKED AGREEMENTS

Other than the share option scheme as disclosed in note 36 to the consolidated financial statements, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the revenue attributable from the Group's five largest customers accounted for approximately 29.5% (2020: 26.5%) of the Group's total revenue for the year and the revenue attributable from to the Group's largest customer amounted to approximately 12.3% (2020: 11.8%). Purchases from the Group's five largest suppliers accounted for approximately 70.3% (2020: 68.4%) to the Group's total purchases for the year and purchases from the Group's largest supplier amounted to approximately 51.1% (2020: 46.1%).

None of the Directors or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the issue share capital of the Company as at the date of this annual report) had any interest in any of the Group's five largest customers and five largest suppliers.

## DIRECTORS

The Directors during the year and up to the date of this annual report were:

### Executive Directors:

Mr. Kwai Sze Hoi *(Chairman)*
Mr. Huang Xueliang

### Non-executive Director:

Ms. Cheung Wai Fung

### Independent Non-executive Directors:

Mr. Nie Rui
Mr. Cheung Sze Ming
Dr. Li Weidong

Biographical details of the Directors and senior management as at the date of this report are set out from pages 13 to 16 of this annual report. Details of Directors' remuneration are set out in note 10 to the consolidated financial statements.

In accordance with the Articles, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In accordance with the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years and a retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. In accordance with the Articles, each of Mr. Cheung Sze Ming and Ms. Cheung Wai Fung will retire at the forthcoming annual general meeting of the Company ("**AGM**") and, being eligible, will offer themselves for re-election thereat.

Each of Mr. Kwai Sze Hoi and Mr. Huang Xueliang, the executive Directors, has entered into a service agreement with the Company for an initial term of three years commencing from the listing date of the Company. On 21 June 2021, such service agreements were renewed on similar terms and effective from 10 July 2021 for another term of three years until terminated by not less than three months' notice in writing served by either party on the other.

The non-executive Director and each of the INEDs has entered into a letter of appointment with the Company. The terms and conditions of each of such letters of appointment are similar in all material respects. Mr. Cheung Sze Ming, one of the INEDs has entered into a letter of appointment with the Company for an initial term of three years from the date of his appointment subject to termination in certain circumstances as stipulated in the letter of appointment. The non-executive Director and each of the other INEDs (i.e. Mr. Nie Rui and Dr. Li Weidong) was appointed with an initial term of three years commencing from the listing date of the Company. On 21 June 2021, such letters of appointment were renewed on similar terms and effective from 10 July 2021 for another term of three years subject to termination in certain circumstances as stipulated in the letters of appointment.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with the Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

## DIRECTORS' SERVICE CONTRACTS

No contracts, other than the service agreement, concerning the management and administration of the whole or any substantial part of the Group's business were entered into or existed during the year.

## PERMITTED INDEMNITY PROVISIONS

During the year and up to the date of this report, the Company has in force permitted indemnity provisions which are provided for in the Articles and in the directors and officers liability insurance maintained for the Group in respect of potential liability and costs associated with legal proceedings that may be brought against the Directors and the directors of the Group respectively.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2021, the interests or short positions of the Directors and chief executives of the Company in the shares (the "**Shares**"), underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to Rules 5.46 to 5.67 of GEM Listing Rules to be notified to the Company and the Stock Exchange, will be as follows:

### (A) Long position interests in the Shares

| Name of Director | Capacity/Nature of interests | Number of issued ordinary shares held/ interested | Percentage of shareholding |
|---|---|---|---|
| Kwai Sze Hoi | Interest of a controlled corporation *(Note)* | 600,000,000 | 75% |
| Cheung Wai Fung | Interest of a controlled corporation *(Note)* | 600,000,000 | 75% |

*Note:* Vital Force Developments Limited ("**Vital Force**") is legally and beneficially owned as to 58.4% by Kwai Sze Hoi, 38.9% by Cheung Wai Fung and 2.7% by Hongkong Shun Yi Industrial Co. Limited, which is a company incorporated in Hong Kong with limited liability and owned as to 60% by Mr. Huang Xueliang. Kwai Sze Hoi and Cheung Wai Fung are deemed to be interested in all the Shares held by Vital Force under Part XV of the SFO. Mr. Kwai Sze Hoi is the chairman and an executive Director of the Company and a director of Vital Force. Ms. Cheung Wai Fung is a non-executive Director of the Company, a director of Vital Force and the spouse of Mr. Kwai Sze Hoi. Mr. Huang Xueliang is an executive Director of the Company.

(B) Long position interests in ordinary shares of associated corporation

| Name of associated corporation | Name of Director | Capacity/Nature of interests | Number of issued ordinary shares held | Percentage of the Company's share capital |
|---|---|---|---|---|
| Vital Force | Kwai Sze Hoi | Beneficial owner *(Note 1)* | 29,200 | 58.4% |
| Vital Force | Cheung Wai Fung *(Note 2)* | Beneficial owner *(Note 1)* | 19,466 | 38.9% |
| Vital Force | Huang Xueliang | Interest of a controlled corporation *(Note 1)* | 1,334 | 2.7% |

*Notes:*

1. Vital Force is legally and beneficially owned as to 58.4% by Kwai Sze Hoi, 38.9% by Cheung Wai Fung and 2.7% by Hongkong Shun Yi Industrial Co. Limited, which is a company incorporated in Hong Kong with limited liability and owned as to 60% by Mr. Huang Xueliang.

2. Cheung Wai Fung is the spouse of Kwai Sze Hoi.

Save as disclosed above, as at 31 December 2021, none of the Directors nor chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, notified to the Company and the Stock Exchange.

## SHARE OPTION SCHEME

The Company has adopted a share option scheme ("**Share Option Scheme**") on 10 July 2018 to provide incentive or rewards to participants including the Directors and eligible employees of the Group. Particulars of the Share Option Scheme are set out in note 36 to the consolidated financial statements. No share options were granted under the Share Option Scheme since its adoption.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share options as stated above, at the end of the year and at no time during the year was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors or chief executives of the Company or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2021, none of the Directors nor their respective close associates was interested in any business which was considered to compete or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the GEM Listing Rules.

## CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

In accordance with 17.50A(1) of the GEM Listing Rules , the changes to information required to be disclosed pursuant to paragraph (a) to (e) and (g) of 17.50(2) of the GEM Listing Rules during the course of the Directors' terms of office for the period from date of publication of the Company's latest annual report up to the date of this annual report are set out below:

1. On 21 June 2021, the service agreements of Mr. Kwai Sze Hoi and Mr. Huang Xueliang, the executive Directors were renewed and effective from 10 July 2021 for another term of three years.

2. On 21 June 2021, the letters of appointment of Ms. Cheung Wai Fung (non-executive Director), Mr. Nie Rui (INED) and Dr. Li Weidong (INED) were renewed and effective from 10 July 2021 for another term of three years.

## SUBSTANTIAL SHAREHOLDER'S AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as is known to the Directors, as at 31 December 2021, the following shareholders and persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall 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 who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

### Long position in the Shares

| Name | Capacity/Nature of interests | Number of issued ordinary shares held | Percentage of the Company's share capital |
|---|---|---|---|
| Vital Force | Beneficial owner | 600,000,000 | 75% |

*Note:* Vital Force is legally and beneficially owned as to 58.4% by Kwai Sze Hoi, 38.9% by Cheung Wai Fung and 2.7% by Hongkong Shun Yi Industrial Co. Limited, which is a company incorporated in Hong Kong with limited liability and owned as to 60% by Mr. Huang Xueliang. Kwai Sze Hoi and Cheung Wai Fung are deemed to be interested in all the Shares held by Vital Force under Part XV of the SFO.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS AND CONNECTED TRANSACTIONS

### Continuing connected transaction

During the year, the Group had the following transactions with connected person (as defined in the GEM Listing Rules) of the Company:

### Tenancy Agreement

| Name of counterparty | Location | (i) Date of agreement<br>(ii) Term (D/M/Y) | Amount of the year<br>HK$'000 |
|---|---|---|---|
| Ocean Longevity Company Limited ("**Ocean Longevity**") | Room 2715–16, 27/F., Hong Kong Plaza 188 Connaught Road West, Hong Kong | (i) 30/11/2020<br>(ii) 1/1/2021 – 31/12/2023 | 570 |

As the total amount payable under the above tenancy agreement (including the estimated utilities and telephone charges) by Ocean Line Port Development (Hong Kong) Limited to Ocean Longevity for each of the three financial years ending 31 December 2023 would be approximately HK$600,000, which is less than HK$3,000,000 per annum and less than the 5% percentage ratios (other than the profits ratio) mentioned in Rule 19.07 of the GEM Listing Rules, the total annual rent (including the estimated utilities and telephone charges) payable under the above tenancy agreement would fall below the de minimis threshold under Rule 20.74(1)(c) of the GEM Listing Rules and thus would not be subject to any reporting, announcement or independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

### Related party transactions

Save for the exempt continuing connected transaction disclosed above, the Group also entered into certain related party transactions during the year which are contained in note 32 to the consolidated financial statements.

Save as disclosed above, there was no transaction, arrangement or contract which is significant in relation to the business of the Company to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the INEDs, an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all of the INEDs are independent.

## REMUNERATION POLICY

A written remuneration policy (which ensures a clear link to business strategy and a close alignment with the Shareholders' interest and current market best practice) is in place and the remunerations of Executive Directors will take into account the Group's operating results, individual performance and comparable market statistics. The INEDs are paid fees in line with market practice. No individual should determine his or her own remuneration.

Employee's remuneration was determined in accordance with individual's responsibility, competence and skills, experience and performance as well as market pay level. Remuneration package includes, as the case may be, basic salary, Directors' fee, contribution to pension schemes, discretionary bonus relating to financial performance of the Group and individual performance, and other competitive fringe benefits such as medical and life insurances. Details of the remunerations of the Directors and the five highest paid employees of the Group are set out in note 10 to the consolidated financial statements.

## DIVIDEND POLICY

From 8 November 2019, the Board has adopted the policy that, in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. The Company do not have any pre-determined dividend payout ratio. The Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the Articles and all applicable laws and regulations and the factors set out below:

(a) financial results;

(b) cash flow situation;

(c) business conditions and strategies;

(d) future operations and earnings;

(e) capital requirements and expenditure plan;

(f) interest of shareholders;

(g) any restrictions on payment of dividends; and

(h) any other factors that the Board may consider relevant.

Depending on the financial conditions of the Company and the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period:

(a) interim dividend

(b) final dividend

(c) special dividend

(d) any distribution of net profits that the Board may deem appropriate.

Any final dividend for a financial year will be subject to shareholders' approval. The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Articles.

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group has complied with the relevant laws and regulations. For the year ended 31 December 2021, there was no incident of non-compliance with relevant laws and regulations which have a significant impact on the Group.

## TAX RELIEF

The Company is not aware of any relief from taxation available to Shareholders by reason of their holdings of the Shares.

## CORPORATE GOVERNANCE IN RESPECT OF NON-COMPETITION DEED

Pursuant to a deed of non-competition undertaking dated 1 June 2018 ("**Deed**") provided by Vital Force, Mr. Kwai Sze Hoi and Ms. Cheung Wai Fung ("**Covenantors**") in favour of the Company, the Covenantors had given undertakings to the Company not to carry on, or be interested or involved or engaged in or acquire or hold any rights or interest, whether directly or indirectly, in any of the Restricted Business (as defined in the Deed).

1. Covenantors had confirmed that they had fully complied with the undertakings in the Deed and that the Company had not received nor was aware of any New Business Opportunities (as defined in the Deed) that required the Covenantors to offer to the Company by the Deed; and

2. the INEDs had made an annual review on the compliance of the terms of the Deed by the Covenantors and the enforcement of the non-competition undertakings in the Deed and formed the view that the Covenantors had fully complied with the undertakings in the Deed.

## INTEREST OF COMPLIANCE ADVISER

The compliance adviser agreement (the "**Compliance Advisor Agreement**") entered into between the Company and Alliance Capital Partners Limited (the "**Compliance Advisor**") dated on 15 December 2017 expired on 26 March 2021. Except for the Compliance Adviser Agreement, neither the Compliance Advisor nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to our Group pursuant to Rule 6A.32 of the GEM Listing Rules on or prior to the expiry of the Compliance Adviser Agreement.

## RETIREMENT BENEFIT SCHEME

Details of the retirement benefit scheme of the Group are set out in note 4.14(b) to the consolidated financial statements.

## CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report from pages 27 to 39 of this annual report.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the issue of this annual report, there was sufficient public float of at least 25% of the Company's issued Shares as required under the GEM Listing Rules.

## AUDITORS

BDO Limited will retire at the forthcoming AGM and a resolution for their reappointment as auditors of the Company will be proposed thereat.

On behalf of the Board

**Kwai Sze Hoi**
*Chairman*
Hong Kong
23 March 2022

The Corporate Governance Report is presented for the year ended 31 December 2021. The Company places high value on the corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of the shareholders of the Company. The Board is committed to maintaining a high standard of corporate governance for the Company within a sensible framework. The Company has applied the principles as set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules during the year. The CG Code sets out the principles of good corporate governance, code provisions and recommended best practices. Issuers are expected to comply with the code provisions or devise their own code on corporate governance on the terms they consider appropriate provided that considered reasons are given. Throughout the reporting period, the Company had complied with the applicable code provisions of the CG Code and there had been no deviation by the Company.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the statutory requirements and regulations and the CG Code and align with the latest developments.

## THE BOARD

### Board Composition

As at 31 December 2021, the Board comprised six Directors, with two Executive Directors, one Non-Executive Director and three INEDs who possess the skills, experience and expertise either in the same industry or relevant to the management of the business of the Group. The biographies of the Directors are set out on pages 13 to 16 of this annual report under the "Biographies of Directors and Senior Management" section. The Board includes at least three INEDs with at least one INED possessing appropriate professional qualifications, or accounting or related financial management expertise at all times during the year.

### Chairman and Chief Executive Officer

Code provision C.2.1 requires that the roles of the chairman and chief executive officer should be separate and not be performed by the same individual. Mr. Kwai Sze Hoi has been appointed as the Chairman of the Board who provides the Board with strong and consistent leadership. With the support of the company secretary of the Company ("**Company Secretary**"), he ensures that all Directors receive, in a timely manner, adequate information and are properly briefed on issues arising at the board meetings. He is responsible for ensuring that the Board works effectively.

Mr. Huang Xueliang is the chief executive officer of the Group who is responsible for the Group's strategic planning, business growth and development as well as overseeing different functions. The Board considers that the current segregation of duties make the Board and the operation of the Group function effectively.

## Non-executive Directors

The INEDs are all professionals with valuable experience and expertise in legal, accounting or auditing in business areas who contribute impartial view and make independent judgment on issues to be discussed at Board meetings. Mr. Nie Rui and Dr. Li Weidong have been appointed for an initial term of three years commencing from 10 July 2018. On 21 June 2021, the letters of appointment of Mr. Nie Rui and Dr. Li Weidong were renewed and effective from 10 July 2021 for another term of three years. Mr. Cheung Sze Ming has been appointed for a term of three years commencing from 6 November 2020. The terms of the INEDs are subject to retirement by rotation and re-election provision under the Articles.

The Company had received confirmation of independence from each of the INEDs. The Board considered each of them to be independent by reference to the factors as set out in Rule 5.09 of the GEM Listing Rules. The INEDs had been expressly identified as such in all corporate communications of the Company that disclose the names of Directors.

The Non-Executive Director has been appointed for an initial term of three years commencing from 10 July 2018. On 21 June 2021, the letter of appointment of the Non-Executive Director was renewed and effective from 10 July 2021 for another term of three years. The term of the Non-Executive Director is also subject to retirement by rotation and re-election provision under the Articles.

## Roles and Responsibilities of the Board

The Company is headed by the Board which is responsible for the leadership, control and promotion of the success of the Group in the interests of the Shareholders by directing and supervising its affairs and by formulating strategic directions and monitoring the financial and management performance of the Group.

## Delegation to the Management

The management is led by the Executive Committee of the Company (which comprises all the Executive Directors of the Board) and has delegated powers and authorities to carry out the day-to-day management and operation of the Group, formulate business policies and make decision on key business issues. The Executive Committee shall have all powers and authorities of the Board except the following matters as set out in a formal schedule of matters specifically reserved by the Board:

- Publication of final, interim and quarterly results of the Company
- Dividend distribution or other distributions
- Major issues of treasury policy, accounting policy and remuneration policy

- Changes to group corporate structure or Board composition requiring notification by announcements
- Publication of the announcement for notifiable transactions and non-exempted connected transaction/ continuing connected transactions
- Non-exempted connected transactions/continuing connected transactions
- Notifiable transactions requiring Shareholders' approval
- Capital restructuring and issue of new securities of the Company
- Financial assistance to Directors

## Board independence

To ensure independent views and input are available to the Board, the effectiveness of certain mechanisms and features of the Board's structure are reviewed annually. For instance, the efficiency and quality of Board meeting discussions and the time commitment and proper discharge of duties of Directors are evaluated and assessed annually. Further, since the listing of the Company, at least half of the Board has comprised of non-executive Directors, and members of all board committees have been independent non-executive Directors.

## Board diversity policy

The Company has adopted a board diversity policy which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review the board diversity policy on an annual basis to ensure its continued effectiveness.

For the purpose of implementation of the board diversity policy, the following measurable objectives were adopted:

1. at least one-third of the members of the Board shall be INEDs;

2. at least one of the members of the Board shall have obtained accounting or other professional qualifications; and

3. the Board shall have at least one member of a different gender.

The Board has achieved the measurable objectives in the board diversity policy.

## DIRECTOR NOMINATION POLICY

From 23 March 2020, the Board has adopted the policy which sets out (1) the principles which guide the Nomination Committee to identify and evaluate a candidate for nomination to (i) the Board for appointment or (ii) the shareholders of the Company for election, as a director of the Company; (2) the nomination procedures; and (3) the requirement to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company.

The Nomination Committee shall consider a number of factors in making nominations, including but not limited to the following:

(a) Skills and Experience: The candidate should possess the skills, knowledge and experience which are relevant to the operations of the Company and its subsidiaries.

(b) Diversity: Candidates should be considered on merit and against objective criteria, with due regard to the diversity perspectives set out in the Board Diversity Policy of the Company including but not limited to gender, age, cultural and educational background, ethnicity and the balance of skills and experience in board composition.

(c) Commitment: The candidate should be able to devote sufficient time to attend Board meetings and participate in induction, trainings and other Board associated activities. In particular, if the proposed candidate will be nominated as an INED and will be holding his/her seventh (or more) listed company directorship, the Nomination Committee should consider the reason given by the candidate for being able to devote sufficient time to the Board.

(d) Standing: The candidate must satisfy the Board and The Stock Exchange that he/she has the character, experience and integrity, and is able to demonstrate a standard of competence commensurate with the relevant position as a director of the Company.

(e) Independence: The candidate to be nominated as an INED must satisfy the independence criteria set out in Rule 5.09 of the GEM Listing Rules.

(f) Others: Such other perspectives that are appropriate to the Company's business plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors.

If the Nomination Committee determines that an additional or replacement director is required, the Committee may take such measures that it considers appropriate in connection with its identification and evaluation of a candidate based on the criteria as set out above. The Nomination Committee may propose to the Board a candidate recommended or offered for nomination by a shareholder of the Company as a nominee for election to the Board. On making recommendation, the Nomination Committee may submit the candidate's personal profile to the Board for consideration. The Board may appoint the candidate as director to fill a casual vacancy or as an addition to the Board or recommend such candidate to shareholders for election or re-election (where appropriate) at the general meeting.

The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board. The Nomination Committee and/or the Board should also review and determine whether the retiring director continues to meet the criteria as set out above. The Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting. Where the board proposes a resolution to elect or re-elect a candidate as director at the general meeting, the relevant information of the candidate will be disclosed in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the listing rules and/or applicable laws and regulations.

The Nomination Committee will conduct regular review on the structure, size and composition of the Board and this policy and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and business needs.

## Induction, Support and Professional Development of Directors

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors. All Directors have been updated on the latest developments of the Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. There is a procedure agreed by the Board to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses in order to assist them to perform their duties to the Company.

The Directors confirmed that they had complied with the Code Provision C.1.4 of the Code on Directors' training. During the year, each Director had participated in continuous professional development by attending seminars/workshops/reading materials (where appropriate) on the following topics to develop and refresh their knowledge and skills and has provided a record of training to the Company.

| Name of Directors | Topics of training covered for all Directors |
|---|---|
| Mr. Kwai Sze Hoi | (1) corporate governance |
| Mr. Huang Xueliang | (2) finance |
| Ms. Cheung Wai Fung | (3) industry specific |
| Mr. Nie Rui | (4) regulatory |
| Dr. Li Weidong | |
| Mr. Cheung Sze Ming | |

## Directors' Insurance

The Company has arranged appropriate insurance cover in respect of any legal action against the Directors in compliance with the requirements under the CG Code.

## Directors' Attendance

The attendance of Directors at the meetings during the year:

| | No. of meeting attended/eligible to attend | | | | |
|---|---|---|---|---|---|
| Name of Directors | Board | Audit Committee | Remuneration Committee | Nomination Committee | Annual General Meeting (Note) |
| **Executive Directors** | | | | | |
| Kwai Sze Hoi | 4/4 | N/A | N/A | N/A | 1/1 |
| Huang Xueliang | 4/4 | N/A | N/A | N/A | 1/1 |
| **Non-executive Director** | | | | | |
| Cheung Wai Fung | 4/4 | N/A | N/A | N/A | 1/1 |
| **Independent Non-executive Directors** | | | | | |
| Nie Rui | 4/4 | 4/4 | 1/1 | 1/1 | 1/1 |
| Li Weidong | 4/4 | 4/4 | 1/1 | 1/1 | 1/1 |
| Cheung Sze Ming | 4/4 | 4/4 | 1/1 | 1/1 | 1/1 |
| Total number of meetings held: | 4 | 4 | 1 | 1 | 1 |

*Note:*

AGM for 2020 was held on 28 May 2021.

Upon reviewing (a) the confirmation of the time commitment given by each Director; (b) the directorships and major commitments of each Director; and (c) the attendance rate of each Director on the meeting(s), the Board is satisfied that all Directors have spent sufficient time in performing their responsibilities during the year.

## Board Meetings and Proceedings

Regular Board meetings will be held at approximately quarterly intervals. The Directors have access to the advice and services of the Company Secretary and key officers of the company secretarial team for ensuring that the Board procedures as well as all applicable rules and regulations are followed.

With the assistance of the Company Secretary, the meeting agenda is set by the Chairman of the Board in consultation with other Board members. Board meeting notice was sent to the Directors at least 14 days prior to each regular Board meeting. Relevant meeting materials together with all appropriate, complete and reliable information are generally sent to all Directors and relevant committee members at least 3 days before each meeting to enable them to make informed decisions.

Minutes of Board meetings and Board committee meetings are drafted by the secretary of the meetings and recorded in sufficient details the matters considered and decisions reached, with draft and final versions being circulated to the Directors for their comment and records respectively. Originals of such minutes, being kept by the Company Secretary, are open for inspection at any reasonable time with reasonable notice by any Director.

If a Director has conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by a physical Board meeting rather than a written resolution. That Director will abstain from voting on the relevant Board resolution in which he/she or any of his/her associates has a material interest and he/she shall not be counted in the quorum present at the Board meeting. INEDs who, and whose close associates, have no material interest in the transaction are present at that Board meeting.

## Board Committees

To assist the Board in execution of its duties and facilitate effective management, certain functions of the Board have been delegated by the Board to the Audit Committee, Remuneration Committee and Nomination Committee.

All of the members of the Audit Committee, Remuneration Committee and Nomination Committee are INEDs. Clear written terms of reference of all the Board Committees are given to the respective members of these Committees. Details of the Board Committees are set out below:

1. **Audit Committee**

   The Audit Committee currently consists of three INEDs, namely Mr. Cheung Sze Ming (*Chairperson of the Committee*), Mr. Nie Rui and Dr. Li Weidong.

   The specific written terms of reference of the Audit Committee is available on the websites of the Stock Exchange and the Company. The Audit Committee is primarily responsible for (a) making recommendations to the Board on the appointment, reappointment and removal of the external auditor; (b) reviewing and monitoring the external auditor's independence and objectivity and effectiveness of the audit process; (c) approving the remuneration and terms of engagement of external auditor; and (d) reviewing financial information and overseeing the financial reporting system, risk management and internal control procedures. The Audit Committee held four meetings during the year for, inter alia, reviewing the Group's annual results, the first quarterly results, interim results, the third quarterly results, the financial reporting and compliance procedures, the effectiveness of the risk management and internal control systems and discussing with the auditors about the audit plan.

2. **Remuneration Committee**

   The Remuneration Committee currently consists of three members, namely Mr. Nie Rui (*Chairman of the Committee*), Mr. Cheung Sze Ming and Dr. Li Weidong.

   The specific written terms of reference of the Remuneration Committee is available on the websites of the Stock Exchange and the Company. The Remuneration Committee is primarily responsible for making recommendation to the Board on (a) the Company's policy and structure of the remuneration of Directors and senior management; (b) the remuneration of INEDs; and (c) the specific remuneration packages of individual Executive Directors and senior management. Details of the remuneration of each of the Directors for the year are set out in note 10 to the consolidated financial statements. The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual Directors and senior management. The Remuneration Committee held one meeting during the year and performed the following:

   1. Reviewed and approved the remuneration packages of all Directors and senior management of the Group to ensure that such remuneration is reasonable and not excessive.

   2. Reviewed the staff policy and emolument policy of the Group.

3. **Nomination Committee**

The Nomination Committee currently consists of three members, namely Dr. Li Weidong (*Chairman of the Committee*), Mr. Nie Rui and Mr. Cheung Sze Ming.

The specific written terms of reference of the Nomination Committee is available on the websites of the Stock Exchange and the Company. The Nomination Committee is primarily responsible for (a) reviewing the structure, size and diversity of the Board; (b) reviewing the Board Diversity Policy; (c) determining the policy for the nomination of Directors and identifying potential candidates for directorship; (d) making recommendations to the Board on the appointment, re-appointment, re-election or re-designation of Directors and succession planning for Directors; (e) assessing the independence of INEDs; and (f) reviewing the time commitment of each Director. When selecting and recommending candidates for directorship during the year, the Nomination Committee considered the candidates based on merit having regard to the experience, skills and expertise as well as the overall board diversity and made recommendations to the Board as appropriate for its consideration. The Nomination Committee held one meeting during the year and performed the following:

1. Approved the terms of reference of the Nomination Committee.

2. Approved the re-election of Directors of the Company.

3. Reviewed the structure, size and composition including the skills knowledge and experience of the Board.

As adopted by the Board, the Board Diversity Policy aims to achieve diversity on the Board in the broadest sense in order to have a balance of skills, experience and diversity of perspectives to the business nature of the Company. Selection of candidates on the Board is based on a range of diversity perspectives, including gender, age, cultural and educational background, ethnicity, professional qualification and experience, skill, knowledge and length of service. The Nomination Committee will also assess the merits and contribution of any Director proposed for re-election or any candidate nominated to be appointed as Director against the objective criteria, with due regard for the benefits of diversity on the Board that would complement the Company's corporate strategy.

## SECURITIES TRANSACTION OF DIRECTORS

The Company adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors' securities transactions of the Company. Upon the Company's specific enquiry, each Director had confirmed that during the year, they had fully complied with the required standard of dealings and there was no event of non-compliance.

## ACCOUNTABILITY AND AUDIT

The Directors acknowledged their responsibilities to prepare the consolidated financial statements of the Group and other financial disclosures required under the GEM Listing Rules and the management has provided such explanation and information to the Board to enable it to make an informed assessment of the financial and other Board decisions. The Directors believe that they have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable and ensured the consolidated financial statements are prepared on a "going concern" basis. The auditor of the Company has made a statement about their reporting responsibilities in the Independent Auditor's Report.

The management has provided all members of the Board with monthly updates on internal financial statements so as to give the Directors a balanced and understandable assessment of the Group's performance, position and prospects.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the design, implementation, monitor and review of the Group's internal control system including the internal control and risk management for the Company to ensure their effectiveness and efficiency. The objective of internal control is to safeguard the Company's assets and ensure its accounting records are properly maintained, so that all the financial information is accurate and reliable. The Group has adopted a series of internal control policies and procedures designed to provide reasonable assurance for achieving the objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations, including those relating to the Company's environmental, social and governance performance and reporting. All employees are committed to continually enhancing the risk management measures to ensure that these measures work in line with the growth of our business strategies and integrated into day-to-day operation of the business. The Board shall at least annually review its risk management and internal control system.

### Internal Controls

The Group has maintained internal control policies to provide sufficient guidelines for the management staff and employees of the Company to work efficiently under a standardised work procedure. The internal control policies cover various operating processes from risk assessment, financial reporting, cost management and staff recruitment. The internal control system is generally overseen by the executive Directors and senior management and is reviewed at least once a year. For cost effectiveness, the Group did not divert resources to establish a separate internal audit department. Nevertheless, the Board will continue to review at least annually the need for an internal audit department. During the year, the Group engaged an independent internal control consultant to perform the review on internal control of the Group, including financial, operational and compliance controls and risk management functions. The Board concluded that the Group has maintained effective internal control measures to ensure that the operations of the Group would be in full compliance with the CG Code and the applicable laws and regulations. The Board is committed to implementing an effective and sound internal control system to safeguard the interest of Shareholders and the Group's assets and the internal control systems would be reviewed annually.

### Risk Management

In the course of conducting the business of the Group, the Company is exposed to various types of risks, including business risks, financial risks, environmental, social and governance risks, operation and other risks. The Board is ultimately responsible for the risk management of the Group and the risk management system is reviewed at least once a year. At operational level, a risk management team is in place to carry out risk identification and monitoring procedures. The risk management team consists of the operation staff, the Company Secretary and Mr. Kwai Sze Hoi. The objectives of the risk management process are to ensure that the operations of the Group would be in full compliance with the CG Code and the applicable laws and regulations enhance the governance and corporate management processes as well as to safeguard the Group against unacceptable levels of risks and losses. The risk management process of the Group would involve, among others, (i) risk identification and analysis exercise which involves assessment of the consequence and likelihood of risks and the development of risk management plans for mitigating such risks; and (ii) review of the implementation of the risk management plans and fine tune when necessary. During the year, the risk management process of the Group has been reviewed, and the Board considered that process was effective and adequate for the year.

### Procedures and Internal Controls for Handling and Dissemination of Inside Information

In handing and dissemination of inside information, the Group:

(i) will conduct immediate dissemination once inside information is available and/or respective decision is made, except the inside information falling into the Safe Harbours of Securities and Futures Commission that allow non-disclosure;

(ii) complies with applicable laws, rules and guidelines on disclosure of inside information issued by Securities and Futures Commission;

(iii) decides and implements monitoring procedures regarding dissemination of inside information; and

(iv) communicates with relevant persons about corporate information disclosure practices with respective training.

### Anti-corruption and whistle-blowing

The Company takes a zero-tolerance approach to corruption or malpractice of any form throughout our operations. We strictly prohibit the acceptance of money or any other gifts from outside entities such as customers, suppliers, contractors, authorities or other business partners. All employees are required to follow our Employee Handbook which details a set of guiding principles for responsible business conduct.

In support of our policies on ethical behaviours, the Group's whistle-blowing policy and grievance mechanism are in place to allow employees at all levels to raise concerns regarding any misconduct. To ensure whistleblowers have the freedom to report grievances without fear of reprisal, all cases are treated strict with confidentiality and submitted to designated personnel for further investigation. During the reporting year, there were zero cases of non-compliance with the relevant laws and regulations, including but not limited to the Prevention of Bribery Ordinance (Chapter 201 of laws of Hong Kong) relating to corrupt practices.

## COMMUNICATION WITH SHAREHOLDERS

The Company had established a shareholders' communication policy and the Board reviews it on an annual basis. The Board is satisfied with the implementation and effectiveness of the Company's activities in communicating with Shareholders and investors during the reporting period. The Company communicates with the Shareholders mainly in the following ways: (i) the holding of AGMs and extraordinary general meetings, if any, which may be convened for specific purposes which provide opportunities for the Shareholders to communicate directly to the Board; (ii) the publication of announcements, annual reports, interim reports, quarterly reports and/or circulars as required under the Listing Rules and press releases providing updated information of the Group; and (iii) the availability of latest information of the Group in the Company's website at http://www.oceanlineport.com.

There is regular dialogue with institutional Shareholders and general presentations are made when financial results are announced. Shareholders and investors are welcome to visit the Company's website to raise enquiries. The contact details are available on the Company's website. The Directors, Company Secretary or other appropriate members of senior management of the Company respond to enquiries from Shareholders promptly. All Shareholders are also welcomed to attend general meetings of the Company to discuss matters relating to the Group.

Separate resolutions will be proposed at the general meetings for substantial separate issues, including re-election of retiring Directors. The Company's notice to the Shareholders for the AGM will be sent to Shareholders at least 20 clear business days before the meeting and notices of all other general meetings will be sent to the Shareholders at least 10 clear business days before the meetings.

All the Directors of the Company attended the AGM of the Company held on 28 May 2021 (the "**2020 AGM**") and the Chairman of the Board as well Chairman of each of the Board Committees made themselves available to answer questions at the 2020 AGM. External auditor was invited and attended the AGM to address shareholders' enquiries.

The forthcoming AGM will be held on 26 May 2022 which will be conducted by way of poll. The Chairman of the AGM and the chairman/members of the Board Committees will be available at the AGM to answer questions from the Shareholders. With the assistance of the Company Secretary, the Chairman of the meeting will explain the procedures for conducting a poll during the meeting.

## SHAREHOLDERS' RIGHTS

Set out below is a summary of certain rights of the Shareholders as required to be disclosed pursuant to the CG Code.

### Convening an Extraordinary General Meeting/Right to call Extraordinary General Meeting

Shareholder(s) representing at least 5% of the total voting rights of all the Shareholders having a right to vote at general meetings may send a request to the Company pursuant to Section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("**CO**"). The request must state the general nature of the business to be dealt with at the meeting, and may include the text of resolution that may properly be moved and is intended to be moved at the meeting. Requests may consist of several documents in like form. A request may be sent to the Company for the attention of the Company Secretary in hard copy form or in electronic form and must be authenticated by the relevant Shareholder(s). Such request will be verified with the Company's share registrar and the Company Secretary will request the Board to convene a general meeting within 21 days upon its confirmation that the request is in order. Such meeting must be held on a date not more than 28 days after the date of the notice convening the meeting and such notice must include notice of the resolution.

Section 568 of the CO provides that if the Directors do not within 21 days as stated above to call a general meeting, the Shareholders representing more than one half of the total voting rights of all of them, may themselves call a general meeting, but the meeting so convened must be called for a date not more than 3 months after the Directors become subject to the requirement to call a meeting. The meeting must be called in the same matter, as nearly as possible, as that in which that meeting is required to be called by the Directors. The business that may be dealt with at the meeting includes a resolution to be dealt with at the meeting. All reasonable expenses incurred by the Shareholders of this purpose must be reimbursed by the Company.

### Putting forward Proposals at General Meetings/Right to Circulate Resolution at AGM

Section 615 of the CO provides that (i) shareholder(s) representing at least 2.5% of the total voting rights of all Shareholders; or (ii) at least 50 Shareholders having a right to vote on the resolution at the AGM may request the Company to circulate a notice of a resolution may properly moved or is intended to be moved at that meeting. Such request must identify the resolution to be moved at the AGM, must be authenticated by the relevant Shareholder(s) and sent to the registered office of the Company for the attention of the Company Secretary in hard copy form or in electronic form not later than 6 weeks before the relevant AGM or if later, the time when the notice of AGM is despatched.

### Proposing a Person for Election as a Director

The procedures for Shareholders to propose a person for election as a Director are available for viewing on the Company's website.

### Enquires from Shareholders

Shareholders should direct their enquiries about their shareholdings to the Company's share registrar, Tricor Investor Services Limited. Other Shareholders' enquiries can be directed to the Company Secretary of the Company whose contact details are shown on the Company's website.

## CONSTITUTIONAL DOCUMENTS

There is no significant change in the Company's constitutional documents during the year.

## AUDITOR'S INDEPENDENCE AND REMUNERATION

The Audit Committee is mandated to review and monitor the independence of the auditor to ensure objectivity and the effectiveness of the audit process of the financial statements in accordance with applicable standard. Members of the Audit Committee was of the view that the Company's auditor, Messrs. BDO Limited ("**BDO**") is independent and had recommended the Board to re-appoint it as the Company's auditor at the 2021 AGM. The fee paid/payable to BDO for the year in respect of the audit services provided to the Company and its subsidiary amounted to RMB604,000.

## ABOUT ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THE REPORT

### Introduction of the Report

This report is the Environmental, Social and Governance Report ("**the ESG Report**") of Ocean Line Port Development Limited (the "**Company**", together with its subsidiaries, the "**Group**", or "**We**") for the current financial year. This report summarises the Group's strategies, practices and vision regarding the environmental, social and governance issues for the year of 2021.

### Reporting Scope and Reporting Period

Unless otherwise stated, this ESG Report covers the achievements to environmental protection and social development of two terminals operated by the Group, namely the Jiangkou Terminal and Niutoushan Terminal. This report explains the work performance with respect to the environment and society of the Group from 1 January 2021 to 31 December 2021 (the "**Year**") in details.

### Basis for Preparation

The ESG Report is prepared in accordance with the "Comply or Explain" provision of the Appendix 20 Environmental, Social and Governance Reporting Guide of the GEM Listing Rules of the Stock Exchange and the principles of materiality, being quantitative, balance and consistency. When preparing this report, the Group adopted emission factors and international standards listed in the Environmental, Social and Governance Guidance issued by the Stock Exchange using the same preparation method as the previous year. For details on applying materiality reporting principle, please refer to the section headed "Materiality Assessment" in this report.

### Contact of the Group

For details of the financial performance and corporate governance of the Group during the Year, please refer to the website (www.oceanlineport.com) of the Group and the annual report.

Your opinion is of great value to the Group. If you have any suggestion and feedback on this ESG Report and the performance of the Group in respect of sustainable development, please post them to the principal place of business of the Company in Hong Kong, which is located at Room 2715–16, 27th Floor, Hong Kong Plaza, 188 Connaught Road West, Hong Kong.

### Data Sources and Reliability Statement

The information disclosed in this report comes from the Group's internal documents, statistical reports and relevant public materials. The Group confirms that the report does not contain any false statement, misleading representation or material omission and take responsibilities for its contents as to the authenticity, accuracy and completeness.

### Confirmation and Approval

The management team of the Group has confirmed to the board (the "**Board**") of Directors of the Company that the environmental, social and governance risk management and internal monitoring systems for the year ended 31 December 2021 are effective.

This report received approval at the meeting of the Board held on 23 March 2022 at Suite 2101, 21/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. This report is released in both English and Chinese versions. Should there be any discrepancies between the two versions, the English version shall prevail. The electronic version of this report can be viewed on the website of the Stock Exchange and website of the Company.

## MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE

### Statement of the Board

As a responsible corporate citizen, the Group adheres to the concept of sustainable development, actively fulfills its corporate social responsibilities and incorporates environmental protection and environmental management into its commercial decisions. Integrating environmental, social and governance and managerial considerations into daily operations has been part of the Group's corporate development strategies at all times. In addition, the Group has been focusing on maintaining closer connections with different stakeholders.

The Group has established governance structure to strengthen the environmental, social and governance management. The Board assumes full responsibility for the environmental, social and governance issues of the Group and fully monitors related risks and opportunities. The Board is responsible for formulating management approach, strategies and goals in relation to the Group's environmental, social and governance regularly reviews the goals set by the Group and performance of the goals and review the strategies pursuant to the actual condition. To integrate the concept of sustainability and manage environmental, social and governance issues effectively, the Group has established the ESG Working Group to help the Board to monitor and promote the implementation of various environmental, social and governance strategies. The ESG Working Group is also responsible for assisting the Board to identify important issues and rank their priorities in order of importance, regularly report to the Board on the effectiveness of the environmental, social and governance system and performance of the Group and prepare the annual environmental, social and governance report.

In the future, the Board will continue to monitor and improve the Group's measures and performance on sustainability and commit to create long-term values for all stakeholders and the communities where the business is located.

### Management structure

| | |
|---|---|
| Board | • The Board is responsible for monitoring environmental, social and governance issues, including formulating related approach and strategies. |
| ESG Working Group | • The Working Group is responsible for assisting the Board to execute various daily management works for environmental, social and governance issues. |
| functional departments | • Each functional department is responsible for enforcing various measures for environmental, social and governance issues formulated by the Group. |

## Identification and communication with stakeholders

In the course of its operations, the Group continues to pay attention to major issues of interest of the stakeholders. The Group understands the expectations and needs of its stakeholders through comprehensive and transparent communication, and continues to improve the Group's sustainable development strategies and plans based on the opinions of its stakeholders, so as to consolidate mutual trust and cooperative relations and jointly achieve its sustainable development plan, create a future with the coexistence of sustainable economic growth, environmental friendliness and social development.

## Information of Stakeholders

| Stakeholders | Possible matters involved | Communication and response |
|---|---|---|
| Stock Exchange | Compliance with the Listing Rules and timely and accurate publication of announcements | Meeting, training, seminar, programme, website update and announcement |
| The government | Compliance with laws and regulations, attention to social welfare and prevention of tax evasion | Interaction and inspection, governmental inspection, tax return and other information |
| Suppliers | Payment schedule and stable demand | On-site investigation |
| Investors | Corporate governance system, business strategies and performance and investment returns | Company's website, general meeting, provision of financial report or business report for investors, media and analysts |
| Media | Corporate governance, environmental protection and human rights | Notice published on the Company's website |
| Customers | Product/service quality, reasonable price, service value, labour protection and work safety | On-site inspection and after-sales service |
| Employees | Rights, interests and welfare, employee remuneration, training and development, working hours and work environment | Holding of team activity, training and interview, distribution of staff manual and internal memorandum |
| Community | Community environment, employment and community development and social welfare | Development of social welfare sponsorship and donation |

## Materiality Assessment

In order to ensure that this report has fully covered and responded to the major concerns of stakeholders, in addition to regular communication with stakeholders, the Group has also referred to various resources of company internal policies, industry trends and Material Map by Sustainability Accounting Standards Board to identify issues with potential and actual impact to the Group's sustainable development.

The Group has performed materiality assessment according to various factors such as its strategies, development and goals and graded ESG levels identified in relation to its business and stakeholders and their respective impact levels, and listed the top five more important factors. The Group has taken relevant measures to address these factors, and therefore we believe these factors will not have a material impact on the Group's financial and operating results. The top five more important factors derived from the materiality assessment are listed below:

| | |
|---|---|
| **Environmental aspects** | Air and greenhouse gas emissions |
| | Energy consumption |
| | Climate change |
| **Social aspects** | Employees' health and safety |
| | Product responsibility |

## ENVIRONMENT

### Summary of Environment

The Group is an inland terminal operator in the PRC, and mainly operates two port terminals, namely, Jiangkou Terminal and Niutoushan Terminal, both of which are situated in Chizhou City, Anhui Province, the PRC. Our services principally consist of the uploading and unloading services of bulk cargo, the uploading and unloading services of containers, storage services and other relevant ancillary port services.

In 2021, we have established a safety and environment department, led by a senior management member, for supervising and managing issues relating to environmental protection and emission of hazardous dust and materials, in order to ensure the Company's compliance with existing requirements on environmental protection during its business operations.

The Group strictly adheres to a series of national and local municipal government's laws on environmental protection by the state and local governments in the course of all business activities and production processes. During 2021, we obtained all necessary local and national permits as well as various emission approvals and licenses, including but not limited to Port Operation License (港口經營許可證), Statement of Compliance of a Port Facility (港口設施保安符合證書), Road Transportation Operation License (道路運輸經營許可證), Affiliate Permit for Handling Hazardous Goods at Ports (港口危險貨物作業附證).

During the Year, the Group complied with all environment-related laws, including but not limited to the Water Pollution and Prevention Law of the People's Republic of China (《中華人民共和國水污染防治法》), the Law of the PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), the Solid Pollution and Prevention Law of the People's Republic of China (《中華人民共和國固體廢物污染環境防治法》), Cleaner Production Promotion Law of the People's Republic of China (《中華人民共和國清潔生產促進法》) and the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》). Meanwhile, we were not involved in any confirmed non-compliance relating to environmental protection that would have a material impact on the Group.

### The Group and Environment

Intensive transportation and cargo handling activities at our terminals generate limited noise and cause water and dust pollution. In regard to this, the Group has engaged a third-party agency with professional qualifications for conducting environment assessment of the Group. We hope to ensure observance of legal obligations and requirements for normal operation through regular monitoring and inspection.

In order to effectively control dust and water pollution, we have implemented the following environmental protection measures:

- Setting up dust screens, dust-prevention walls and nets;
- Setting up water spraying equipment and improving the sprinkling system;
- Setting up dust inspection system.

## Emissions

The ESG Report is prepared in accordance with the Reporting Guidance on Environmental KPIs of the Stock Exchange with a focus on direct emissions (Scope 1) and indirect emissions (Scope 2), whereas other indirect emissions (Scope 3) are excluded from the Report. The Group's main source of direct greenhouse gas emission is the use of vehicles, and the main source of indirect emission is the electricity consumption.

To support our port logistic services, in addition to private vehicles for customers pick up, we are also equipped with loaders, tractors, sprinkler trucks and shuttle buses. We regularly conduct routine inspection to keep the vehicles at their optimal condition, thereby improving fuel consumption efficiency and ensuring road safety.

The Group is aware of the increasingly stringent laws and regulations in relation to environmental protection. Therefore, we are gradually using electric machines to replace the traditional diesel-powered horizontal transport machines at our ports with high emission. The Group has prepared a "survey on horizontal transport machine at port and the implementation of 'replacing diesel with electricity'" to record the progress of "replacing diesel with electricity".

As the Group used the loading outsourcing services during the reporting year and the number of loaders under the Group's management decreased significantly, the emissions and greenhouse gases generated by us decreased significantly as of 31 December 2021. During the Year, we generated 703.53 kg of nitrogen oxides, 53.05 kg of particle emissions, 1.76 kg of sulphur dioxide ($SO_2$) and 309,827.17 kg of carbon dioxide ($CO_2$) in total and the details of the emission data are set out as follows:

| KPI — Emissions and greenhouse gas emissions | | Unit | | | Data | |
|---|---|---|---|---|---|---|
| KPI1.1 | Source | 2021 | 2020 | Type of emissions | 2021 | 2020 |
| *Emissions — Vehicle emission data* | | | | | | |
| | Kilometres travelled by vehicles | **219,029.68 km** | 395,955.05 km | Nitrogen oxide | **703.53 kg** | 1,748.59 kg |
| | | | | Particle emissions | **53.05 kg** | 128.57 kg |
| | Units of fuel consumed by vehicles | | | | | |
| | Diesel | **103,021.24 litre** | 362,835.17 litre | $SO_2$ | **1.76 kg** | 5.95 kg |
| | Petrol | **7,024.94 litre** | 7,421.29 litre | | | |

| KPI — Emissions and greenhouse gas emissions | | Unit | | Data | | |
|---|---|---|---|---|---|---|
| KPI1.2 | Source | **2021** | 2020 | Type of emissions | **2021** | 2020 |
| *Greenhouse gas emissions in total* | | | | | | |
| *Scope: Direct greenhouse gas emissions from operations that are owned or controlled by the Company* | | | | | | |
| Scope 1b — Combustion of fuels in mobile sources (e.g. motor vehicles and ships) controlled by the reporting entity | Fuel consumption | | | Amount of emissions | | |
| | Diesel | **103,021.24 litre** | 362,835.17 litre | $CO_2$ | **309,827.17 kg** | 1,015,037.33 kg |
| | Petrol | **7,024.94 litre** | 7,421.29 litre | | | |
| Scope 2 — Energy indirect greenhouse gas emissions | Purchased electricity | **14,533,405.00 kWh** | 13,456,453.00 kWh | | **8,866,830.39 kg** | 10,658,856.42 kg |
| Total $CO_2$ emissions for the reporting period: | | | | | **9,176,657.56 kg** | 11,673,893.75 kg |

The Group is committed to reducing greenhouse gas emissions. Through vehicle management measures, energy saving policies and green measures, it aims to achieve the goal of maintaining or reducing the total greenhouse gas emission intensity within the next reporting year based on the 2021 benchmark.

### Waste Generation

Waste generated by the Group arises from the ordinary operation of its office and mainly comprises paper for daily consumption.

The Group endeavours to reduce waste generation. We actively promote a "paperless" work environment and adopt a digital operation hub to handle documents and files. Meanwhile, we regularly circulate environmental protection information to our employees, such as requiring employees to print on both sides and reuse paper printed on only one side in order to minimise paper consumption.

### Use of Resources

The Group's use of resources is primarily attributed to water and electricity consumption.

Our electricity consumption is mainly for the purpose of daily operation of the Group's office and the machines and equipment at the terminals. With respect to the office operation, electricity is required for maintaining the operation of air conditioners, computers and other office equipment. Meanwhile, our machines and delivery equipment at the terminals, including conveyors belts and cranes, also need electricity to drive.

During the Year, the Group's electricity consumption was 14,533,405.00 kWh (2020: 13,456,453.00 kWh)(electricity consumption per capita was 67,597.23 kWh/staff (2020: 63,175.84 kWh/staff)), representing a total $CO_2$ emission of 8,866,830.39 kg (2020: 10,658,856.42 kg).

To effectively use the Group's resources, we have taken the following measures to save electricity in the Group's office:

- Switch off the lightings and electrical appliances when not in use to reduce energy consumption;
- Maintain the indoor temperature at an optimal level and switch off the air conditioner when it is not needed;
- Switch off the air conditioner and lightings after office hours and in idle rooms; and
- Our staffs are required to switch their computers and other equipment into hibernation mode or turn them off when they leave their desk during office hours, including when paying visits to clients and during lunch hour.

We will strictly control the consumption of electricity by each machine and equipment item in order to reduce the electricity consumption of the machines and equipment items at our terminals. Each and every production unit will, on a regular basis, inspect and control the electricity consumption of each machine and equipment. They will actively look into the reason when a certain machine and equipment item in a certain month consume more electricity than it does in other months and implement corresponding measures to reduce electricity consumption of the equipment.

In addition, our equipment department will carry out regular maintenance of the machines and equipment. We have put in place a set of maintenance specification, e.g. 1,000 hours of maintenance specification. Our equipment department will carry out a set of maintenance procedures according to our maintenance specification when our equipment items have been operated beyond a stipulated number of hours to ensure our equipment items are in effective operation and reduce unnecessary use of resources.

Given the nature of the Group's business, our consumption of water is minimal, which is primarily attributed to the daily use of water by the staff in our office during working hours, and does not contain hazardous waste water. The existing water supply adequately meets the Group's daily operational needs and there has been no difficulty in sourcing water. Our domestic sewage is directly discharged into the municipal sewage network.

Water pipes are prone to crack in severely cold weather in winter, which may cause leakages. Therefore, our water pipes are wrapped with anti-freezing material to avoid the threat of low temperature and in turn prevents wastage of water resources.

Due to the underground pipelines were under maintenance and were not in use during the year, the water consumption of the Group recorded a decrease to 26,524 $m^3$ (2020: 63,175.84 $m^3$) for the Year (water consumption per capita of 123.37 $m^3$/staff (2020: 230.55 $m^3$/staff)).

Due to the above measures, the Group has been maintaining a relatively low level of electricity and water consumptions, and such consumption level does not pose significant environmental and social impacts. However, the Group still aims at maintaining or reducing total electricity consumption in the next reporting year on the basis of year 2021.

## The Environment and Natural Resources

The offices of the Group in their daily operations do not have significant impacts on environment or natural resources. The Group has always adhered to the principle of environment and natural resources protection in the course of its operations, and strives to avoid causing significant impacts on the environment or over-consumption of natural resources.

## Climate Change

In response to the international community's concern on climate change, the Group has included climate change-related risks as one of the environmental, social and governance issues, and made relevant disclosures based on the recommendations of the Task Force on Climate-related Financial Disclosures（氣候相關財務揭露工作小組）.

The Group's analysis of potential financial risks brought by climate change and response strategies are as follows:

| Risk type | Possible financial effects<br>Low Medium High | Short-term (the reporting period) | Medium term (1 to 3 years) | Long term (4 to 10 years) | Response strategy |
|---|---|---|---|---|---|
| Physical risks | **Acute**<br>Extreme weather conditions such as intensified floods leading to asset loss or supply chain interruption | | | | Develop safety rules and contingency plans in response to extreme weather conditions |
| | **Chronic**<br>Continuous high temperature and extreme hot weather leading to increased electricity consumption, consequently affecting operation cost | | | | Adopt energy saving policies and green measures to avoid excessive consumption of natural resources |
| Transitional risk | **Policies and regulations**<br>More stringent climate policies and regulations, such as stricter power constraints, may increase compliance cost and operating cost | | | | Strictly implement emission reduction measures, such as vehicle management measures, to maintain a low emission level |
| | **Market**<br>Consumers turned to be more active in environmental protection, resulting in a decrease in income | | | | Adhere to the Group's sustainable development philosophy, strictly control services and operation processes to meet consumer and market expectations |

Although the climate change risks identified by the Group do not have a significant impact on its business, the Group will also review the potential impact of climate change on its business annually and adopt corresponding measures to reduce any potential risks.

## SOCIETY

### Employment and Labour Standards

#### Overview of Human Resources

We strongly believe that employees are the crucial cornerstone of corporate growth and an indispensable part of sustainable development. Therefore, we wish to attract and retain talents through competitive compensation and welfare mechanism and quality promotion opportunities. The Group strives to safeguard the statutory benefits of all of our employees, and strictly adheres to various labour laws and regulations in the PRC, including but not limited to the PRC Labour Law (《中華人民共和國勞動法》), the PRC Labour Contract Law (《中華人民共和國勞動合同法》), and the PRC Social Insurance Law (《中華人民共和國社會保險法》).

Furthermore, we hope to continuously enhance our service quality and increase the development opportunities for employees. Therefore, we provide a series of training to employees to improve their knowledge regarding business operation and safety guidelines.

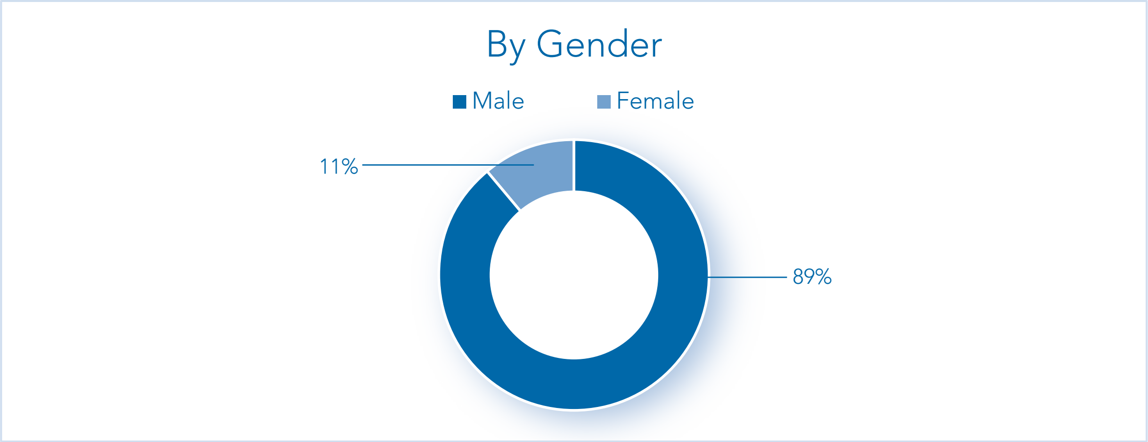
During the Year, the Group strictly complied with the labour laws and relevant regulations in the PRC and was not involved in any confirmed non-compliance relating to employment that would have a material impact on the Group.

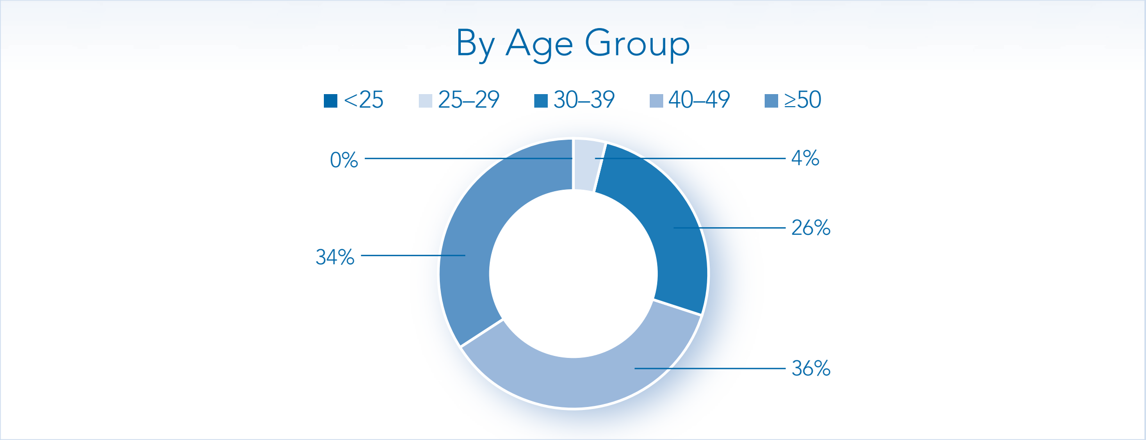
#### Employment

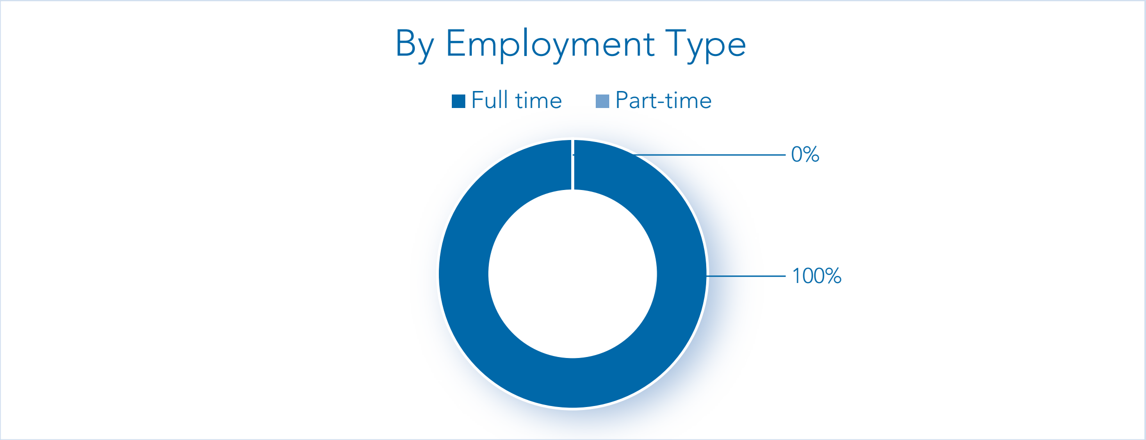
The Group has prepared the Staff Handbook in accordance with applicable labour laws and regulations, covering various policies on human resources, including but not limited to, recruitment and promotion procedures, training, performance assessment management, salary and benefits, working hours, leave and other vacations (including marriage leave, bereavement leave, work-related injury leave and maternity leave).

As of 31 December 2021, the Group has in total 215 (2020: 219) employees. Details of the employees are as follows:

| Total number of employees | 2021 | 2020 |
|---|---|---|
| ***Total number of employees*** | **215** | 219 |
| *By gender* | | |
| Male | 191 | 194 |
| Female | 24 | 25 |
| *By age group* | | |
| < 25 | 0 | 1 |
| 25–29 | 9 | 12 |
| 30–39 | 56 | 50 |
| 40–49 | 77 | 81 |
| ≥ 50 | 73 | 75 |
| *By employment type* | | |
| Full time | 215 | 219 |
| Part time | 0 | 0 |
| *By geographical region* | | |
| Mainland China | 214 | 218 |
| Hong Kong | 1 | 1 |

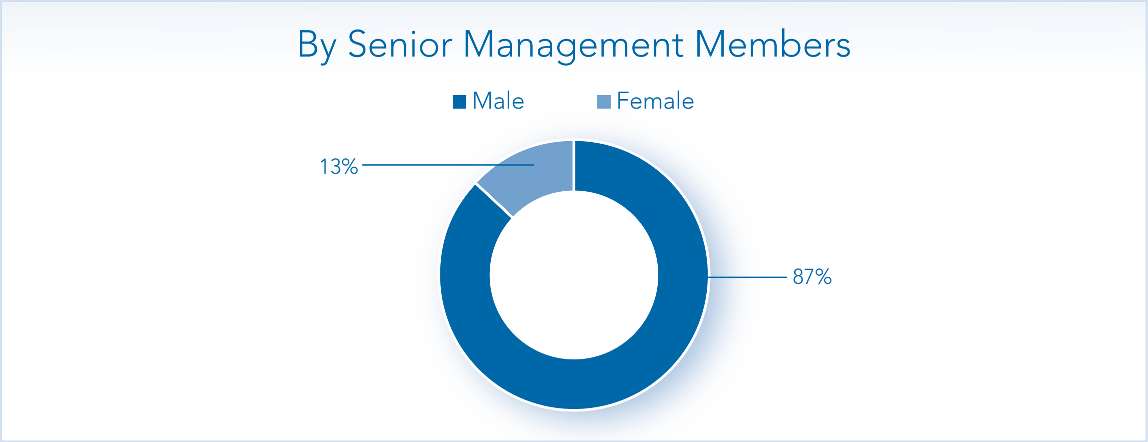





*Total amount of senior management members*

| | Number of senior management members | Percentage |
|---|---|---|
| ***Total number of senior management members*** | 8 | |
| *By gender* | | |
| Male | 7 | 87% |
| Female | 1 | 13% |




During the Year, a total of 21 (2020: 34) employees of the Group terminated their employment. The following sets out the statistics of employee turnover:

| Employee turnover rate | 2021 | 2020 |
|---|---|---|
| ***By gender*** | | |
| Male | **90%** | 94% |
| Female | **10%** | 6% |
| ***By age group*** | | |
| < 25 | **0%** | 6% |
| 25–29 | **24%** | 18% |
| 30–39 | **24%** | 24% |
| 40–49 | **33%** | 18% |
| ≥ 50 | **19%** | 34% |
| ***By geographical region*** | | |
| Mainland China | **100%** | 100% |
| Hong Kong | **0%** | 0% |

*Recruiting and Retaining Talents*

We believe that the Group's business success and development depend on the contribution and devotion from our employees. Hence, we actively make resource investments and provide favourable compensation and benefit packages to attract and motivate talents. We have in place a clear incentive policy, and, based on the competence and performance of staff, grant rewards to them accordingly, so as to enhance employees' motivation.

In addition, we determine fair compensation based on employee contribution and market standards. We have established a comprehensive staff performance assessment mechanism to unify evaluation criteria regarding performance of each employee during the year, with the evaluation results linked to staff salary and annual performance bonus.

*Welfare and Leave*

The Group has adopted a standardised working hour system, pursuant to which, the daily working time of employee is kept within eight hours and the weekly working time is limited to within 40 hours. The Group ensures that the staffs are entitled to all statutory holidays, as well as marriage, bereavement, maternity leave and paid annual leave, in strict compliance with the national requirements. Meanwhile, we make social security contributions for all our staffs, including unemployment, medical, maternity, work-related injury, pension and housing provident funds. In order to ensure the personal health of employees and maintain a safe work environment, all employees are required to go through the health check organised by the Group before induction. We genuinely care about the physical and mental health of employees, and encourage them to participate in the sport, cultural and leisure activities organised by the Company to stay healthy both physically and mentally.

*Tolerance*

The Group strives to provide an all-embracing and harmonious work environment with zero harassment or discrimination being tolerated. All recruitment, promotion and termination decisions are solely based on performance and carried out through fair and transparent procedures, regardless of race, skin colour, nationality, religion, gender, age or disability. In the course of operation, we will not use illegal means of violence, threatening or activity restriction etc. to force employees to work.

*Diversity Policy*

We attach great importance to the non-discrimination principle of management and strive to create a diversified working environment. In terms of Board composition, the Group has established a Director nomination procedure which enables the Group's shareholders to recommend any eligible person to stand for the election of Director.

Pursuant to our board diversity policy, recommendation for Board candidates will be based on different backgrounds and expertise, criteria of recommendation include but not limited to gender, age, cultural and educational background, professional knowledge, skills and relevant experience. Elected Directors should have certain advantages in the above criteria and are able to bring contribution to the Board. At least one male Director and one female Director should be included in the elected Directors in order to achieve board diversity. The Board comprises Directors with sufficient relevant experience and from various professional backgrounds, including financial accounting, as well as male and female members, as a result, we consider the current composition of the Board of the Group satisfies the requirements of diversity policy. The nomination committee is responsible for conducting continuous review on the Board composition to ensure the requirements of diversity policy are satisfied.

Save for the Board, we also implement non-discrimination and diversity policy in the working environment of general employees. The current employee structure of the Group comprises both male and female employees, both of which are entitled to similar career development opportunities and welfare. For instance, male and female employees are provided with similar trainings, the average hours of completed training are generally in line for both genders during the reporting year. We will continue to refine our diversity policy in the future, including increasing the proportion of female in the employee structure.

### Health and Safety

We attach great importance to occupational health and are committed to create a safe and healthy working environment for our staffs.

The Group is in strict compliance with all applicable national and local laws and regulations in relation to health and safety, including the Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Law on Prevention and Control of the People's Republic of China (《中華人民共和國預防控制法》) and the Law on Prevention and Control of Occupational Diseases (《職業病防治法》), etc.

The Group did not have any fatalities in the past three years, including the reporting year. However, the Group recorded 3 cases of work-related injuries during the reporting year (2020: 6 cases). During the Year, the number of days of absence due to work-related injuries was 210 days.

The Group has placed social insurance for all staffs in compliance with the law to ensure that those who experienced work-related incidents can obtain adequate medical coverage. We have held a special meeting concerning the incident to enhance education and reinforce the awareness of our staffs regarding protection and safety.

In order to enhance our staffs' safety awareness and ability to prevent accident, we have developed the Operation Procedures for Safety Production (《安全生產操作流程 》), which primarily comprise the details and key points for safety operation in each high-risk work, including operations of uploading and unloading packaged goods, clearing up vessels and importing bulk cargoes. In addition, our Staff Manual for Safety Production (《員工安全生產手冊》) has set out safety working procedures, proper wearing of labour protection items and safety operation rules for each production unit.

Meanwhile, we have set up a safety committee which is responsible for organising safety training programmes and activities. Our safety committee will also update the Staff Manual for Safety Operation from time to time in accordance with applicable safety laws and regulations to ensure our operation procedures are executed in strict compliance with national requirement.

Moreover, we have implemented a series of policies, so as to create a favorably comfortable and healthy work environment:

- timely maintain our machines and equipment to ensure their proper operation;
- ensure that all staffs are equipped with adequate labour protection items;
- carry out fire prevention and fire safety training and drills on a regular basis.

### Development and Training

We firmly believe that employees' skills and experience are crucial cornerstones for the long-term development of the Group, and continuing education enables our employees to remain competitive in the industry. Therefore, we prepare Annual Training Plan every year and strive to enhance our employees' performance by providing on-the-job training and mentoring.

We expect to raise employees' awareness on safety by providing a series of safe operation training. The training includes but is not limited to delivering important tips for machine operations and safe operation procedures for respective positions. We also hold training sessions on safety regulations for employees above the middle level to keep them informed of major national safety laws and regulations and ensure our stringent compliance with the related national laws and regulations in our daily operations.

In addition, we provide orientation training to newcomers and assist them to fit themselves in the new work environment. The training includes but is not limited to corporate management system, corporate culture and safe production and skill training. Pre-employment training also equips our employees with adequate work knowledge, which further enhances our efficiency and work quality.

During the Year, the total training hours we provided to our employees in the PRC amounted to 2,331 hours (2020: 741 hours). Statistics in respect of development and training are set out below:

| | For the year ended 31 December 2021 | For the year ended 31 December 2020 |
|---|---|---|
| *Percentage of employees trained* | | |
| *By gender* | | |
| Male | 93% | 88% |
| Female | 7% | 12% |
| *By employee category* | | |
| Entry-level employees | 83% | 72% |
| Middle-level employees | 12% | 25% |
| Senior-level employees | 5% | 3% |

| | For the year ended 31 December 2021 | For the year ended 31 December 2020 |
|---|---|---|
| *Average training hours completed per employee* | | |
| *By gender* | | |
| Male | 10.99 | 3.43 |
| Female | 10.13 | 3.16 |
| *By employee category* | | |
| Entry-level employees | 9.39 | 2.13 |
| Middle-level employees | 27.32 | 10.03 |
| Senior-level employees | 7.13 | 4.67 |

### Labour Standards

The Group strives to protect human rights and comply with all relevant laws and regulations of Labour Standards.

To avoid forced labour and child labour, we have stringent requirements on the selection of employees. When recruiting for positions below the management level, the Group requires applicants to provide identity card, proof of highest education, professional qualifications (such as work permits for technical positions) and certificate of resignation to verify their identity.

In the event that the management discovered child labour or forced labour against the regulations, the Group would immediately terminate the labour contracts with the relevant employee, ascertain the causes and impose appropriate punishment on the employee responsible for the illegal employment.

During the Year, there was no forced labour and child labour in the Group.

## Operating Practice

### Supply Chain Management

As an inland terminal operator, good supply chain management is paramount to our success.

Terminal operation mainly requires machines, equipment components and consumables (such as fuel, electricity and water). As such, during the Year, our main suppliers comprised fuel suppliers, conveyor belt and equipment components suppliers. As at 31 December 2021, we have 38 suppliers in total (2020: 35), all of them are from China.

To ensure quality, we have set up a range of standards for selecting suppliers, which includes, inter alia, (1) quality of products; (2) capacity and reputation; (3) pricing of products; (4) timely supply of goods. Our purchasing staffs will assess suppliers regularly based on the above standards and get rid of unqualified suppliers. Considering the potential environmental and social impacts of the supply chain, the Group takes into account environmental protection, occupational health and safety, labour rights and compliance with laws and regulations when selecting potential suppliers, aiming to bring positive impacts to the entire supply chain.

### Product Responsibility

As an inland terminal operator in China, we focus on the provision of port logistic services (including the uploading and unloading of cargo, temporary storage services prior to/or after shipments and short distance land transport services. We place great emphasis on service quality and strive to improve and enhance service quality. All the businesses operated by the Group are in compliance with the state and regional laws and regulations in relation to product liability, including but not limited to Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) and Tort Law of the People's Republic of China (《中華人民共和國侵權責任法》).

During the Year, the Group had no non-compliance with relevant laws and regulations in relation to health and safety, advertising, labeling and privacy issues.

### Quality Control

The Group has set up a comprehensive quality control system, which includes the quality control policy and standard operating procedures during our course of business to ensure the consistent quality of our services.

To ensure effective quality control, we only procure equipment components, machines and other supplies required in our operation from recognised suppliers. The procurement department is responsible for the management of our equipment. We select qualified suppliers with caution based on internal assessment standards (such as product quality and pricing). Meanwhile, all the equipment will be inspected by the procurement department upon receipt to ensure that the material and equipment purchased by the Group satisfy quality standards.

The equipment items used in port logistic services include portal cranes, belt conveyors, loaders, forklifts and container trucks. As the aging or damage of equipment affects our quality consistency, our procurement department performs full-dimensional inspection and maintenance on all equipment every two years and the findings of inspection will be recorded in regular inspection reports to ensure quality standard.

The Group has set up a complaint and feedback system. Customers may provide feedbacks through calls, email or SMS in the event that they are unsatisfied with our service quality. Upon receiving the opinion or complaint of customers, the management will timely understand the case and take measures according to the actual situation. In addition, the sales department will perform a customer satisfaction survey at the end of each year, to receive customers' feedback on the service quality of the Group. Based on the results of questionnaires, we will analyze and review our service quality and provide corresponding trainings to employees where appropriate.

During the Year, the Group did not receive any complaint in relation to our product and services.

### Intellectual Property Rights

In 2017, the Group registered the trademark and domain name for its brand "Ocean Line Port Development Limited" and domain name "www.oceanlineport.com", and the brand and domain name has thereby been under the legal protection of intellectual property rights.

During the Year, the Group did not encounter any incidents of controversies, disputes and claims relating to the intellectual property rights against any third parties.

### Privacy Policies

We endeavor to establish long-term and trusting relationships with customers. In order to enhance the customers' confidence in our Group, we are committed to avoid the disclosure of confidential information of customers to third parties and to maintain and process the confidential information of customers prudently.

The Group requires employees to use the computers provided by the Company only to save customer information. Our information management department is responsible for monitoring and ensuring the proper operation of the Company's network and servers to prevent and detect any unauthorised access.

The Group required employees to sign the "Employee Service Commitment" to undertake to abide by the confidentiality duties and strictly observe the Company's confidentiality to safeguard the interests of the Group. In addition, the Group's Employee Handbook set out the content and scope of confidentiality of employees, confidentiality obligations and liabilities for default. According to the Employee Handbook, all employees are strictly prohibited from leakage, illegal usage or improper utilisation of the company's confidential information obtained from business or other ways. If any of the Group's business confidential information is disclosed or copied without the consent of the Group, the Group will take disciplinary actions against the staff involved in accordance with the disciplinary provisions detailed in the Employee Handbook and reserve the right to legal proceedings.

During the Year, the Group did not receive any complaints in relation to leakage of customer information.

### Anti-corruption

All the businesses operated by the Group are in compliance with the national and local laws and regulations regarding the prevention of bribery, extortion, fraud and money laundering, including the Criminal Law of the People's Republic of China (《中華人民共和國刑法》) and the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》). The Group requires its employees to strictly follow the requirements of the aforesaid ordinances in order to prevent behaviors such as bribery, extortion, fraud and money laundering.

In addition, we strictly prohibit all employees from using their powers for personal interests through the violations of laws and regulations or illegal activities such as bribery, extortion, fraud and money laundering in order to promote anti-corruption resolutely. The Group has set up a reporting and complaint channel. If any suspected case is observed, employees are able to report to the management in absolute confidentiality by telephone, email and SMS.

To protect the Group's interest, the Group requires employees to strictly follow the code of conduct listed in the Employee Handbook. In addition, the Group provides relevant training to employees on a regular basis. During the reporting year, as the corruption risk of the Group's business was not high, no training in this area was held during the reporting year. However, the Group has the ability to provide and fund anti-corruption training when needed.

During the Year, there were no litigation cases regarding allegations against the corruption of the Group or employees of the Group.

## COMMUNITY

### Community Investment

We deeply acknowledge the importance of giving back to the society and spare no effort in providing help to the community. Due to the impact of the COVID-19 pandemic, the Group did not hold any social welfare activities during the reporting year in order to protect the health and safety of employees and the society. We will continue to explore opportunities to invest resources and encourage our employees to participate in community activities.

## GENERAL DISCLOSURES AND KEY PERFORMANCE INDICATORS OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF THE STOCK EXCHANGE

| Item | | Description | Reference Section |
|---|---|---|---|
| A. ENVIRONMENTAL | | | |
| A.1 Emissions | | | |
| General Disclosure | | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to air and greenhouse gas emissions discharges into water and land, and generation of hazardous and non-hazardous waste. | Emission |
| Key Performance Indicators | A1.1 | The types of emissions and respective emissions data. | Emission |
| | A1.2 | Direct (scope 1) and energy indirect (scope 2) greenhouse gas emissions and densities. | Emission |
| | A1.3 | Total amount and in intensity of hazardous waste produced. | N/A |
| | A1.4 | Total amount and in intensity of non-hazardous waste produced. | Waste Generation |
| | A1.5 | Description of emission target(s) set and the steps taken to achieve them. | Emissions |
| | A1.6 | Description of how hazardous and non-hazardous wastes are handled, and description of reduction target(s) set and steps taken to achieve them. | Waste Generation |

| Item | | Description | Reference Section |
|---|---|---|---|
| **A2: Use of Resources** | | | |
| General Disclosure | | Policies on the efficient use of resources, including energy, water and other raw materials. | |
| Key Performance Indicators | A2.1 | Direct and/or indirect energy consumption by type in total and intensity. | Use of Resources |
| | A2.2 | Water consumption in total and intensity. | Use of Resources |
| | A2.3 | Description of energy use efficiency target(s) set and steps taken to achieve them. | Use of Resources |
| | A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them. | Use of Resources |
| | A2.5 | Total packaging material used for finished products and with reference to per unit produced. | N/A |
| **A3: The Environment and Natural Resources** | | | |
| General Disclosure | | Policies on minimising the issuer's significant impact on the environment and natural resources. | The Environment and Natural Resources |
| Key Performance Indicators | A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | The Environment and Natural Resources |
| **A4: Climate Change** | | | |
| General Disclosure | | Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer. | Climate Change |
| Key Performance Indicators | A4.1 | Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and responding actions. | Climate Change |

| Item | | Description | Reference Section |
|---|---|---|---|
| B. SOCIAL | | | |
| B1: Employment | | | |
| General Disclosure | | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare. | |
| Key Performance Indicators | B1.1 | Total workforce by gender, employment type (e.g. full or part time), age group and geographical region. | Employment |
| | B1.2 | Employee turnover rate by gender, age group and geographical region. | Employment |
| B2: Health and Safety | | | |
| General Disclosure | | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to providing a safe work environment and protecting employees from occupational hazards. | Health and Safety |
| Key Performance Indicators | B2.1 | Number and rate of work-related fatalities in the past three years including the reporting year. | Health and Safety |
| | B2.2 | Lost days due to work-related injury. | Health and Safety |
| | B2.3 | Description of occupational health and safety measures adopted, how they are implemented and monitored. | Health and Safety |
| B3: Development and Training | | | |
| General Disclosure | | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | Development and Training |
| Key Performance Indicators | B3.1 | The percentage of employees trained by gender and employee category. | Development and Training |
| | B3.2 | The average training hours completed per employee by gender and employee category. | Development and Training |

| Item | | Description | Reference Section |
|---|---|---|---|
| **B4: Labour Standards** | | | |
| General Disclosure | | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to preventing child and forced labour. | Labour Standards |
| Key Performance Indicators | B4.1 | Description of measures to review employment practices to avoid child and forced labour. | Labour Standards |
| | B4.2 | Description of steps taken to eliminate such practices when discovered. | Labour Standards |
| **B5: Supply Chain Management** | | | |
| General Disclosure | | Policies on managing environmental and social risks of the supply chain. | Supply Chain Management |
| Key Performance Indicators | B5.1 | Number of suppliers by geographical region. | Supply Chain Management |
| | B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored. | Supply Chain Management |
| | B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | Supply Chain Management |
| | B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | Supply Chain Management |
| **B6: Product Responsibility** | | | |
| General Disclosure | | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | Product Responsibility |

| Item | Description | | Reference Section |
|---|---|---|---|
| Key Performance Indicators | B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | N/A |
| | B6.2 | Number of products and service related complaints received and how they are dealt with. | Quality Control |
| | B6.3 | Description of practices relating to observing and protecting intellectual property rights. | Intellectual Property Rights |
| | B6.4 | Description of quality assurance process and recall procedures. | Product Responsibility |
| | B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored. | Privacy Policies |
| **B7: Anti-corruption** | | | |
| General Disclosure | | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws that have a significant impact on the issuer<br>relating to bribery, extortion, fraud and money laundering. | Anti-corruption |
| Key Performance Indicators | B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | Anti-corruption |
| | B7.2 | Description of preventive measures and whistleblowing procedures, how they are implemented and monitored. | Anti-corruption |
| | B7.3 | Description of anti-corruption training provided to directors and staffs. | Anti-corruption |
| **B8: Social Responsibility** | | | |
| General Disclosure | | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | Community Investment |
| Key Performance Indicators | B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | Community Investment |
| | B8.2 | Resources contributed (e.g. money or time) to the focus area. | Community Investment |

# INDEPENDENT AUDITOR'S REPORT

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TO THE MEMBERS OF OCEAN LINE PORT DEVELOPMENT LIMITED
(incorporated in the Cayman Islands with limited liability)

## OPINION

We have audited the consolidated financial statements of Ocean Line Port Development Limited ("**the Company**") and its subsidiaries (together "**the Group**") set out on pages 69 to 143, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

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

### Valuation of investment properties

Refer to notes 4.5 and 5(c) on the significant accounting policies and disclosure for the estimation of fair value of investment properties, respectively, and note 15 to the consolidated financial statements.

Management estimated the fair value of the Group's investment properties to be approximately RMB73,520,000 as at 31 December 2021, with a fair value gain of approximately RMB2,930,000 recognised in the consolidated statement of comprehensive income for the year then ended.

## KEY AUDIT MATTERS (continued)

### Valuation of investment properties (continued)

Management has engaged an independent valuer (the "**Management Expert**") to assist in performing the fair value measurement of the investment properties. The valuation of the Group's investment properties are dependent on certain key assumptions and estimations that require significant management judgement.

We identified valuation of the investment properties as a key audit matter because the valuation was inherently subjective and requires significant management judgement and estimation and significant changes in these estimates could result in material changes to the valuation of the investment properties.

Our responses:

Our procedures in relation to this key audit matter included:

- Evaluating the appropriateness of the valuation methodologies and the reasonableness of the key assumptions used in the valuation of the fair value of the investment properties;

- Evaluating the reliability of the inputs used in the valuation;

- Involving an auditor's expert to assist our assessment on the reasonableness and appropriateness of the valuation methodologies and the key assumptions used in the valuation of the fair value of the investment properties; and

- Evaluating the competence, capabilities and objectivity of the Management Expert and auditor's expert.

## OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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, 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.

## DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of 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 directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

## 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. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism 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.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- 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.

- 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 directors, 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.

**BDO Limited**
*Certified Public Accountants*
**Cheung Wing Yin**
Practising Certificate Number P06946

Hong Kong, 23 March 2022

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

| | Notes | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Revenue** | *7(a)* | 165,837 | 150,502 |
| Cost of services rendered | | (68,152) | (66,610) |
| **Gross profit** | | 97,685 | 83,892 |
| Other income and gains, net | *7(b)* | 12,197 | 5,427 |
| Change in fair value of investment properties | *15* | 2,930 | 1,191 |
| Selling and distribution expenses | | (954) | (815) |
| Administrative expenses | | (17,544) | (13,890) |
| Finance costs | *8* | (65) | (555) |
| **Profit before income tax** | *9* | 94,249 | 75,250 |
| Income tax expense | *11* | (14,749) | (11,066) |
| **Profit for the year** | | 79,500 | 64,184 |
| **Other comprehensive income:** | | | |
| *Items that will not be reclassified subsequently to profit or loss:* | | | |
| Change in fair value of equity investment at fair value through other comprehensive income | | 64 | (496) |
| **Other comprehensive income for the year** | | 64 | (496) |
| **Total comprehensive income for the year** | | 79,564 | 63,688 |
| Profit for the year attributable to: | | | |
| Owners of the Company | | 57,206 | 44,579 |
| Non-controlling interests | | 22,294 | 19,605 |
| | | 79,500 | 64,184 |
| Total comprehensive income for the year attributable to: | | | |
| Owners of the Company | | 57,252 | 44,222 |
| Non-controlling interests | | 22,312 | 19,466 |
| | | 79,564 | 63,688 |
| | | RMB cents | RMB cents |
| Earnings per share attributable to owners of the Company | | | |
| — Basic and diluted earnings per share | *13* | 7.15 | 5.57 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

| | Notes | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | *14* | 426,369 | 426,462 |
| Investment properties | *15* | 73,520 | 62,800 |
| Equity investment at fair value through other comprehensive income | *16* | 4,568 | 4,504 |
| Deposits and prepayments | *20* | 1,687 | 11,543 |
| Deferred tax assets | *11(b)* | – | 171 |
| | | 506,144 | 505,480 |
| **Current assets** | | | |
| Inventories | *17* | 1,678 | 1,786 |
| Trade receivables | *18* | 4,426 | 1,096 |
| Debt instruments at fair value through other comprehensive income | *19* | – | 2,690 |
| Deposits, prepayments and other receivables | *20* | 5,062 | 11,005 |
| Due from non-controlling interests | *27* | – | 5,600 |
| Cash and cash equivalents | *21* | 231,151 | 122,523 |
| | | 242,317 | 144,700 |
| **Current liabilities** | | | |
| Trade payables | *22* | 8,611 | 7,948 |
| Contract liabilities | *23* | 47,797 | 45,346 |
| Other payables, accruals and receipt in advance | *24* | 87,989 | 75,254 |
| Lease liabilities | *25* | 427 | 415 |
| Due to a non-controlling interest | *27* | 1,017 | 973 |
| Deferred government grant | *28* | 890 | 890 |
| Income tax payable | | 6,324 | 3,008 |
| | | 153,055 | 133,834 |
| **Net current assets** | | 89,262 | 10,866 |
| Total assets less current liabilities | | 595,406 | 516,346 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

| | Notes | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Deferred government grant | *28* | 32,534 | 33,424 |
| Lease liabilities | *25* | 453 | 909 |
| Deferred tax liabilities | *11(b)* | 6,342 | 4,483 |
| | | 39,329 | 38,816 |
| **Net assets** | | 556,077 | 477,530 |
| **EQUITY** | | | |
| Share capital | *29* | 6,758 | 6,758 |
| Reserves | *30* | 402,420 | 345,168 |
| **Equity attributable to owners of the Company** | | 409,178 | 351,926 |
| Non-controlling interests | | 146,899 | 125,604 |
| **Total equity** | | 556,077 | 477,530 |

On behalf of the directors

**Kwai Sze Hoi**
*Director*

**Huang Xueliang**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 *(Note 29)* | Share premium RMB'000 *(Note 30(a))* | Capital reserve RMB'000 *(Note 30(e))* | Special reserve RMB'000 *(Note 30(b))* | Statutory reserve RMB'000 *(Note 30(c))* | Other reserve RMB'000 *(Note 30(d))* | Assets revaluation reserve RMB'000 *(Note 30(f))* | Fair value reserve RMB'000 *(Note 30(g))* | Retained earnings RMB'000 | Subtotal RMB'000 | Non-controlling interests RMB'000 | Total RMB'000 |
| **At 1 January 2020** | 6,758 | 50,277 | 369 | 4,812 | 49,239 | 176,540 | 376 | – | 19,333 | 307,704 | 101,511 | 409,215 |
| Profit for the year | – | – | – | – | – | – | – | – | 44,579 | 44,579 | 19,605 | 64,184 |
| Other comprehensive income: | | | | | | | | | | | | |
| Change in fair value of equity investment at fair value through other comprehensive income | – | – | – | – | – | – | – | (357) | – | (357) | (139) | (496) |
| Total other comprehensive income | – | – | – | – | – | – | – | (357) | – | (357) | (139) | (496) |
| Total comprehensive income | – | – | – | – | – | – | – | (357) | 44,579 | 44,222 | 19,466 | 63,688 |
| Transfer to statutory reserve | – | – | – | – | 17,026 | – | – | – | (17,026) | – | – | – |
| Appropriations to reserve | – | – | – | 1,342 | – | – | – | – | (1,342) | – | – | – |
| Dividends declared to non-controlling interests *(note 37)* | – | – | – | – | – | – | – | – | – | – | (973) | (973) |
| Capital injection by non-controlling interests | – | – | – | – | – | – | – | – | – | – | 5,600 | 5,600 |
| **At 31 December 2020** | 6,758 | 50,277 | 369 | 6,154 | 66,265 | 176,540 | 376 | (357) | 45,544 | 351,926 | 125,604 | 477,530 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 *(Note 29)* | Share premium RMB'000 *(Note 30(a))* | Capital reserve RMB'000 *(Note 30(e))* | Special reserve RMB'000 *(Note 30(b))* | Statutory reserve RMB'000 *(Note 30(c))* | Other reserve RMB'000 *(Note 30(d))* | Assets revaluation reserve RMB'000 *(Note 30(f))* | Fair value reserve RMB'000 *(Note 30(g))* | Retained earnings RMB'000 | Subtotal RMB'000 | Non-controlling interests RMB'000 | Total RMB'000 |
| **At 1 January 2021** | 6,758 | 50,277 | 369 | 6,154 | 66,265 | 176,540 | 376 | (357) | 45,544 | 351,926 | 125,604 | 477,530 |
| Profit for the year | – | – | – | – | – | – | – | – | 57,206 | 57,206 | 22,294 | 79,500 |
| Other comprehensive income: | | | | | | | | | | | | |
| Change in fair value of equity investment at fair value through other comprehensive income | – | – | – | – | – | – | – | 46 | – | 46 | 18 | 64 |
| Total other comprehensive income | – | – | – | – | – | – | – | 46 | – | 46 | 18 | 64 |
| Total comprehensive income | – | – | – | – | – | – | – | 46 | 57,206 | 57,252 | 22,312 | 79,564 |
| Transfer to statutory reserve | – | – | – | – | 17,318 | – | – | – | (17,318) | – | – | – |
| Appropriations to reserve | – | – | – | 1,437 | – | – | – | – | (1,437) | – | – | – |
| Dividends declared to non-controlling interests *(note 37)* | – | – | – | – | – | – | – | – | – | – | (1,017) | (1,017) |
| **At 31 December 2021** | 6,758 | 50,277 | 369 | 7,591 | 83,583 | 176,540 | 376 | (311) | 83,995 | 409,178 | 146,899 | 556,077 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

| | Notes | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before income tax | | 94,249 | 75,250 |
| Adjustments for: | | | |
| Interest income | *7(b)* | (2,797) | (859) |
| Interest expense | *8* | 65 | 555 |
| Depreciation of property, plant and equipment | *9* | 27,392 | 26,437 |
| Gain on disposal of property, plant and equipment | *9* | (133) | – |
| Change in fair value of investment properties | *15* | (2,930) | (1,191) |
| Amortisation of deferred government grant | *9* | (890) | (890) |
| Net cash inflow generated from operating activities before movements in working capital | | 114,956 | 99,302 |
| Decrease/(increase) in inventories | | 108 | (411) |
| (Increase)/decrease in trade receivables | | (3,330) | 1,237 |
| Decrease in debt instruments at fair value through other comprehensive income | | 2,690 | 7,769 |
| Increase/(decrease) in trade payables | | 663 | (776) |
| Decrease in deposits, prepayments and other receivables | | 6,268 | 7,833 |
| Increase in contract liabilities | | 2,451 | 15,873 |
| Increase in other payables, accruals and receipt in advance | | 15,379 | 1,666 |
| Cash generated from operations | | 139,185 | 132,493 |
| Income tax paid | | (9,403) | (8,350) |
| **Net cash generated from operating activities** | | 129,782 | 124,143 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

| | Notes | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Payments for additions of property, plant and equipment | | (20,268) | (36,178) |
| Payment incurred for investment properties | | (7,501) | (7,662) |
| Prepayment for leasehold land | | (336) | (11,020) |
| Investment in equity investment at fair value through other comprehensive income | | – | (5,000) |
| Proceeds from deregistration of an associate | | – | 8,371 |
| Interest received | | 2,797 | 859 |
| **Net cash used in investing activities** | | (25,308) | (50,630) |
| **Cash flows from financing activities** | | | |
| Repayment of principal portion of the lease liabilities | | (408) | (408) |
| Repayment of interest portion of the lease liabilities | | (65) | (19) |
| Capital injection by non-controlling interests | | 5,600 | – |
| Dividends paid to non-controlling interests | | (973) | – |
| Repayments of bank borrowings | | – | (34,188) |
| Interest paid | | – | (536) |
| **Net cash generated from/(used in) financing activities** | | 4,154 | (35,151) |
| **Net increase in cash and cash equivalents** | | 108,628 | 38,362 |
| **Cash and cash equivalents at beginning of the year** | | 122,523 | 84,161 |
| **Cash and cash equivalents at end of the year** | | 231,151 | 122,523 |
| **Analysis of balances of cash and cash equivalents** | | | |
| Cash and cash equivalents with an original maturity of three months or less: | | | |
| — Cash deposits at banks and on hand | | 216,840 | 109,591 |
| — Short-term deposit in a bank | | 14,311 | 12,932 |
| | | 231,151 | 122,523 |

## 1. GENERAL INFORMATION AND BASIS OF PRESENTATION

Ocean Line Port Development Limited (the "**Company**") was incorporated as an exempted company with limited liability in the Cayman Islands on 30 October 2017. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681. Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Room 2715–16, 27th Floor, Hong Kong Plaza, 188 Connaught Road West, Hong Kong.

The principal activity of the Company is investment holding. The Group is principally engaged in port operation in Chizhou City, Anhui Province, the People's Republic of China (the "**PRC**"). Details of the principal activities of the Company's subsidiaries are set out in note 39 to the consolidated financial statements. The Company and its subsidiaries are collectively referred to as the "Group" hereafter.

In the opinion of the directors, the Company's immediate and ultimate parent is Vital Force Development Limited ("**Vital Force**"), a company incorporated in the British Virgin Islands (the "**BVI**") and its ultimate controlling parties are Mr. Kwai Sze Hoi ("**Mr. Kwai**") and his spouse Ms. Cheung Wai Fung ("**Ms. Cheung**").

The consolidated financial statements for the year ended 31 December 2021 were approved and authorised for issue by the board of directors on 23 March 2022.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

### (a) Adoption of new and revised HKFRSs — effective 1 January 2021

The Hong Kong Institute of Certified Public Accountants ("**HKICPA**") has issued a number of amended HKFRSs that are first effective for the current accounting period of the Group:

| | |
|---|---|
| Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 | Interest Rate Benchmark Reform — Phase 2 |
| Amendments to HKFRS 16 | COVID-19-Related Rent Concessions |

None of these amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### (b) New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

| | |
|---|---|
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4] |
| Amendments to HKAS 16 | Proceeds before Intended Use[2] |
| Amendments to HKAS 37 | Onerous Contracts — Cost of Fulfilling a Contract[2] |
| HKFRS 17 | Insurance Contracts[4] |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework[3] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5] |
| Amendments to HKFRS 16 | COVID-19-Related Rent Concessions beyond 30 June 2021[1] |
| Annual Improvements to HKFRSs 2018–2020 | Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2] |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies[4] |
| Amendments to HKAS 8 | Definition of Accounting Estimates[4] |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction[4] |

1 Effective for annual periods beginning on or after 1 April 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.
4 Effective for annual periods beginning on or after 1 January 2023.
5 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### (b) New or revised HKFRSs that have been issued but are not yet effective (continued)

**Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause**

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

**Amendments to HKAS 16 — Proceeds before Intended Use**

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

**Amendments to HKAS 37 — Onerous Contracts — Cost of Fulfilling a Contract**

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

**HKFRS 17 — Insurance Contracts**

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4, Insurance Contracts. The standard outlines a 'General Model', which is modified for insurance contracts with direct participation features, described as the 'Variable Fee Approach'. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### (b) New or revised HKFRSs that have been issued but are not yet effective (continued)

**Amendments to HKFRS 3 — Reference to the Conceptual Framework**

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

**Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

**Amendments to HKFRS 16 — COVID-19-Related Rent Concessions beyond 30 June 2021**

Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### (b) New or revised HKFRSs that have been issued but are not yet effective (continued)

**Annual Improvements to HKFRSs 2018–2020**

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

**Amendments to HKAS 1 and HKFRS Practice Statement 2 — Disclosure of Accounting Policies**

The amendments to HKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

**Amendments to HKAS 8 — Definition of Accounting Estimates**

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

**Amendments to HKAS 12 — Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations — transactions for which companies recognise both an asset and a liability.

The directors of the Company do not anticipate that the application of these standards in the future will have a significant impact on the consolidated financial statements.

## 3. BASIS OF PREPARATION

### (a) Basis of compliance

The consolidated financial statements on pages 69 to 143 have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting standards ("**HKASs**") and Interpretations and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

### (b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for investment properties, debt instruments and equity investment at fair value through other comprehensive income ("**FVOCI**") which are measured at fair value. The measurement bases are fully described in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. 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 5.

### (c) Functional and presentation currency

The functional currency of the Company is Hong Kong Dollars, while the consolidated financial statements are presented in Renminbi ("**RMB**"). As the functional currency of the major subsidiaries of the Group is RMB, the directors consider that it will be more appropriate to adopt RMB as the Group's and the Company's presentation currency. All values are rounded to the nearest thousand except when otherwise indicated.

# 4. SIGNIFICANT ACCOUNTING POLICIES

## 4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

## 4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

## 4.3 Segment information

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors of the Company, who are the chief operating decision makers, for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. 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. All other costs, such as repairs and maintenance costs, are charged to profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost, net of expected residual value, over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

| | |
|---|---|
| Terminal facilities | 25–30 years |
| Buildings | 10–40 years |
| Port machinery and equipment | 8–12 years |
| Vessels | 25 years |
| Motor vehicles | 5–8 years |
| Furniture and office equipment | 5 years |
| Leasehold improvements | The shorter of the lease terms and 5-30 years |
| Right-of-use assets | The shorter of assets' useful life and the lease term |

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income.

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

# 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

## 4.5 Investment property

Investment property is held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

## 4.6 Leasing

All leases (irrespective of they are operating leases or finance leases) are capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

### (i) Right-of-use asset

The right-of-use asset is recognised at cost, which comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value.

The Group accounts for certain leasehold land and buildings that are held for rental or capital appreciation purpose under HKAS 40 and are carried at fair value at subsequent reporting dates.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in "property, plant and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned.

# 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

## 4.6 Leasing (continued)

### (ii) Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the incremental borrowing rate of the particular lessee.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

*Lease modification*

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

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

### (iii) Accounting as a lessor

The Group has leased out its investment properties to a number of tenants. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.7 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) **Provision of port services**

*i. container and cargo handling services*

Revenue is recognised at a point in time when handling services are delivered to the customers. Storage service included in general port service contracts is provided to customers to store their goods temporarily prior to/or after shipments, and it is supplementary service for assisting the handling service of container, general and bulk cargos. Considering the customer cannot benefit from storage service by standalone, it is not considered a performance obligation to be separately accounted for.

# 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

## 4.7 Revenue recognition (continued)

### (a) Provision of port services (continued)

*ii. Ancillary port services*

Included in ancillary port services, revenue from transportation service is recognised over time in the accounting period in which the service are rendered. Revenue is recognised over time when the Group transfers the control of the services over time, based on actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously. Revenue from provision of other ancillary port services is recognised at a point in time when the services are rendered.

Invoices for port services are issued on a monthly basis upon completion of service. Customers are usually offered with a credit period ranging from 10 days to 55 days from the date of issue of the invoice. For certain customers, they are required to pay the port services fee before rendering of port services by the Group. A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

### (b) Interest income

Interest income is recognised using the effective interest method, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

### (c) Rental income

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.8 Financial Instruments

#### (i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("**FVTPL**"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

*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 two 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. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

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. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

*Equity instruments*

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity instruments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

# 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

## 4.8 Financial Instruments (continued)

### (ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("**ECLs**") for trade receivables, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.8 Financial Instruments (continued)

#### (ii) Impairment loss on financial assets (continued)

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on an individual basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in "Fair value reserve (recycling)".

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

#### (iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

*Financial liabilities at amortised cost*

Financial liabilities at amortised cost including trade payables, other payables and accruals, due to a non-controlling interest, lease liabilities and bank borrowings, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

# 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

## 4.8 Financial Instruments (continued)

### (iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

### (v) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

## 4.9 Cash and cash equivalents

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

## 4.10 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

## 4.11 Accounting for income tax

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.11 Accounting for income tax (continued)

An exception to the general requirement in determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

### 4.12 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and are recognised as other revenue, rather than reducing the related expense.

### 4.13 Foreign currency

Transactions entered into by the Group entities in currencies other than the currency of the primary economic environment in which they operate (the "**functional currency**") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.14 Employee benefits

#### (a) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

#### (b) Defined contribution retirement plan

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Group operates the Mandatory Provident Fund Scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme is a defined contribution retirement benefit plan and contributions to the scheme are made based on a percentage of the employees' relevant income.

The employees of the Company's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme.

#### (c) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

### 4.15 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment and investment properties to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs to disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

# 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

## 4.16 Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## 4.17 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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

## 4.18 Share-based payments

The Group operates equity settled share-based compensation plan for remuneration of its employees and parties other than its employees.

Where share options are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the options at the date of grant. Such fair value is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all non-market vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

### Other share-based payments

The shareholders had granted to an executive director of the Company shares of the ultimate holding company as a reward for the employee services to the Group. The reward cost was measured at the fair value of the shares of the Company and expensed to the consolidated statement of comprehensive income as directors' remuneration.

# 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

## 4.19 Research and development expenses

Research expenditure is recognised as an expense as incurred.

Costs incurred on development projects are capitalised as intangible assets when recognition criteria are fulfilled and tests for impairment are performed annually. Other development expenditures that do not meet those criteria are recognised as expenses as incurred. Development costs previously recognised as expenses are not recognised as assets in subsequent periods.

## 4.20 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.20 Related parties (continued)

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

## 5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### (a) Impairment of financial assets

The Group's management assesses the credit risk of financial assets on a regular basis to determine if any provision for impairment is necessary. The implementation of HKFRS 9 resulted in a change to the assessment of the critical accounting estimates and judgements related to impairment of financial instruments. In determining ECLs, management is required to exercise judgement in defining what is considered to be a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. The information about the ECLs and the Group's trade receivables and other financial assets are disclosed in note 34(c) to the consolidated financial statements.

### (b) Estimated useful lives of property, plant and equipment

In determining the useful lives of property, plant and equipment, the Group has to consider various factors, such as expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is made based on the experience of the Group with similar assets that are used in a similar way. Depreciation charge is revised if the estimated useful lives of items of property, plant and equipment are different from the previous estimation. Estimated useful lives are reviewed, at the end of each of the reporting period, based on changes in circumstances. The carrying amount of property, plant and equipment is disclosed in note 14.

## 5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

### (c) Fair values of investment properties

Investment properties are stated at fair value based on the valuation with the existence of independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market condition. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of comprehensive income.

### (d) Income taxes

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the year in which such determination is made.

### (e) Judgements on the cost and completion date of construction-in-progress

The construction of terminal facilities involves various points in time and different parts of the construction projects. The Group transfers the construction-in-progress to relevant categories of property, plant and equipment in batches upon the completion of respective parts of the terminal facilities. The cost of terminal facilities may not be paid in full when the construction is completed and ready for its intended use. The Group estimates the completion progress, time to reach its intended use and the cost of the construction-in-progress to be transferred to property, plant and equipment where necessary. If the estimation differs significantly from the final settlement of the completed construction projects, the difference will impact the cost of property, plant and equipment and the depreciation charge.

### (f) Government grants

Government grants should be recognised in the profit or loss to match them with the expenditure towards which they are intended to compensate. Management will recognise the grants as grants to asset or income according to terms. Sometimes there will be some conditions attached to the grants, management will carefully assess whether the Group will comply with the conditions and grants will be only recognised when the Group is certain to comply with the conditions even if the grants has already been received.

### (g) Lease

As explained in note 4.6, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

## 5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

### (h) Fair value measurement and valuation processes

The fair value of unlisted equity investment that is not traded in an active market is determined by using valuation technique. The Group uses its judgement with the aid of an independent valuer, to select a variety of methods and make assumptions that are based on market condition and other circumstances, this might involve developing estimates and assumptions consistent with how market participants would price the instrument. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date. Details of the valuation assumption and its carrying amount are set out in note 16.

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The directors of the Company are responsible for determining the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The directors of the Company work closely with the independent qualified professional valuers to establish the appropriate valuation techniques and inputs to the model. The directors of the Company regularly assess the impact and the cause of fluctuations in the fair value of the assets and liabilities. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments and investment properties.

## 5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

### (h) Fair value measurement and valuation processes (continued)

The Group measures investment properties (note 15), equity investment at FVOCI (note 16) and debt instruments at FVOCI (note 19) at fair value.

For more detailed information in relation to the fair value measurement of the item above, please refer to the applicable notes.

### (i) Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios situated in the PRC are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time rather than through sale. As a result, the presumption that the carrying amount of the Group's investment properties in the PRC is to recover through sale rather than through use has been rebutted and deferred tax on the changes in fair value is recognised according to the relevant tax rules.

## 6. SEGMENT INFORMATION

### (a) Operating segment information

The Group identifies its operating segments and prepares segment information based on the regular internal financial information reported to the Company's executive directors, who are the chief operating decision makers of the Group, for their decisions about resources allocation to the Group's business components and review of these components' performance. There is only one business component in the internal reporting to the Company's executive directors, which is the provision of port services. Accordingly, no segment information analysed by operating segment is presented in the consolidated financial statements.

### (b) Geographical information

The geographical location of revenue allocated is based on the location at which services are provided. The Group renders port services in the PRC and all its revenue for the years ended 31 December 2021 and 2020 were derived in the PRC. The geographical location of the Group's non-current assets is based on the physical location of the assets. The Group's major non-current assets are located or based in the PRC.

### (c) Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the year is as follows:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Customer A | 20,421 | 17,770 |

## 6. SEGMENT INFORMATION (continued)

### (d) Disaggregation of revenue

| | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| **Revenue from contracts with customers within the scope of HKFRS 15** | | |
| Provision of uploading and unloading services | | |
| — Bulk cargo and Break bulk cargo | 149,462 | 134,914 |
| — Containers | 1,949 | 2,633 |
| | 151,411 | 137,547 |
| Provision of ancillary port services | 14,426 | 12,955 |
| | 165,837 | 150,502 |
| **Timing of revenue recognition** | | |
| At a point in time | 161,508 | 144,711 |
| Transferred over time | 4,329 | 5,791 |
| | 165,837 | 150,502 |

## 7. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue represents the income from provision of port services excluding value-added tax, where applicable.

Revenue recognised during the year is as follows:

| | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| Port service income | 165,837 | 150,502 |

The Group has applied the practical expedient to its port service contracts and therefore it does not disclose about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for provision of port services that have an original expected duration of one year or less and that are unsatisfied or partially unsatisfied as of the end of the reporting periods.

## 7. REVENUE, OTHER INCOME AND GAINS, NET (continued)

(b) An analysis of the Group's other income and gains, net during the year is as follows:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Bank interest income | 2,797 | 859 |
| Rental income from investment properties | 4,848 | 2,498 |
| Government grants | | |
| — relating to investment properties and right-of-use assets *(note 28)* | 890 | 890 |
| — listing rewards* | 2,000 | – |
| — other rewards# | 1,019 | 1,256 |
| Gain on disposal of property, plant and equipment | 133 | – |
| Exchange loss, net | (329) | (1,040) |
| Others | 839 | 964 |
| | 12,197 | 5,427 |

* Government grants of listing rewards represent reward of RMB2,000,000 received during the year from Chizhou Finance Bureau for successful listing of the Company. It was determined at the sole discretion of the relevant PRC government authorities.

# Government grants of other rewards represent unconditional cash subsidies from government.

## 8. FINANCE COSTS

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Interest on borrowings | – | 536 |
| Interest on lease liabilities | 65 | 19 |
| | 65 | 555 |

## 9. PROFIT BEFORE INCOME TAX

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

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Auditor's remuneration | 604 | 624 |
| Costs of inventories recognised as an expense (included under cost of services rendered) | 3,636 | 3,865 |
| Employee benefit expenses *(note)* (including directors' emoluments *(note 10)*) | | |
| — Wages, salaries and other benefits | 17,729 | 14,449 |
| — Discretionary bonuses | 6,791 | 6,237 |
| — Defined contributions | 3,314 | 1,703 |
| | 27,834 | 22,389 |
| Direct operating expenses arising from investment properties that generated rental income | 592 | 361 |
| Depreciation of property, plant and equipment | 27,392 | 26,437 |
| Repairs and maintenance expenses (included under cost of services rendered) | 6,650 | 9,811 |
| Subcontracting fee (included under cost of services rendered) | 11,938 | 9,649 |
| Amortisation of deferred government grant | (890) | (890) |
| Gain on disposal of property, plant and equipment | (133) | – |

*Note:* During the year ended 31 December 2021, the Group incurred expenses for the purpose of research and development of approximately RMB3,018,000 (2020: Nil), which comprised employee benefits expenses of approximately RMB2,976,000 (2020: Nil).

## 10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

### (a) Directors' remuneration

The emolument of each of the directors for the year is set out below:

| | Fees RMB'000 | Salaries, allowances and benefits in kind RMB'000 | Discretionary bonuses RMB'000 *(note (ii))* | Defined contributions RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Year ended 31 December 2021** | | | | | |
| *Executive directors:* | | | | | |
| Mr. Kwai | 279 | – | – | – | 279 |
| Mr. Huang Xueliang | 240 | 640 | – | 76 | 956 |
| | 519 | 640 | – | 76 | 1,235 |
| *Non-executive director:* | | | | | |
| Ms. Cheung | 199 | – | – | – | 199 |
| *Independent non-executive directors:* | | | | | |
| Mr. Nie Rui | 149 | – | – | – | 149 |
| Dr. Li Weidong | 149 | – | – | – | 149 |
| Mr. Cheung Sze Ming *(note (i))* | 149 | – | – | – | 149 |
| | 447 | – | – | – | 447 |

## 10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

### (a) Directors' remuneration (continued)

| | Fees RMB'000 | Salaries, allowances and benefits in kind RMB'000 | Discretionary bonuses RMB'000 *(note (ii))* | Defined contributions RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Year ended 31 December 2020** | | | | | |
| *Executive directors:* | | | | | |
| Mr. Kwai | 214 | – | – | – | 214 |
| Mr. Huang Xueliang | 240 | 240 | 400 | 35 | 915 |
| | 454 | 240 | 400 | 35 | 1,129 |
| *Non-executive director:* | | | | | |
| Ms. Cheung | 192 | – | – | – | 192 |
| *Independent non-executive directors:* | | | | | |
| Mr. Nie Rui | 160 | – | – | – | 160 |
| Mr. Wong Chin Hung *(note (i))* | 130 | – | – | – | 130 |
| Dr. Li Weidong | 160 | – | – | – | 160 |
| Mr. Cheung Sze Ming (note (i)) | 23 | – | – | – | 23 |
| | 473 | – | – | – | 473 |

*Notes:*

(i) Mr. Wong Chin Hung resigned as the independent non-executive director of the Company on 20 October 2020 and Mr. Cheung Sze Ming was appointed as the independent non-executive director of the Company on 6 November 2020.

(ii) Bonuses paid or receivable by the directors of the Company which are discretionary or are based on the Company's, the Group's or any member of the Group's performance for the year.

## 10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

### (b) Five highest paid individuals

The five highest paid individuals of the Group included one director (2020: one director) during the year, whose emoluments are reflected in note (a).

The analysis of the emolument of the four (2020: four) highest paid non-director individuals during the year, are set out below:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Salaries, allowances and benefits in kind | 999 | 958 |
| Discretionary bonuses | 387 | 247 |
| Pension scheme contributions | 86 | 70 |
| | 1,472 | 1,275 |

The emolument paid or payables to each of the above non-director individuals during the year fell within the following band:

| | 2021<br>Number of<br>individuals | 2020<br>Number of<br>individuals |
|---|---|---|
| Nil to HK$1,000,000 | 4 | 4 |

During the year, no director or any of the highest paid individuals waived or agreed to waive any emoluments (2020: Nil). No emoluments were paid by the Group to the directors or any of the highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group (2020: Nil).

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

### (c) Pensions — defined contribution plans

No forfeited contribution is available to reduce the contribution payable in future year.

## 11. INCOME TAX EXPENSE

### (a) Income tax

The amount of taxation in the consolidated statement of comprehensive income during the year represents:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Current tax expenses | | |
| — PRC enterprise income tax | **12,719** | 9,846 |
| Deferred tax expenses | **2,030** | 1,220 |
| | **14,749** | 11,066 |

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits arising in or derived from Hong Kong for the year (2020: nil).

The Group's subsidiaries in the PRC are subject to the PRC enterprise income tax ("**EIT**") at the standard rate of 25% on the estimated assessable profits, except for the following subsidiaries which enjoyed certain tax exemption and relief.

Pursuant to the PRC tax law, its rules and regulations, enterprises that invest in qualifying public infrastructure projects are eligible for certain tax benefits.

One of the infrastructure projects (the "**Qualifying Project**") of Chizhou Port Ocean Line Holdings Limited ("**Chizhou Port Holdings**"), a subsidiary of the Company, is engaging in qualifying public infrastructures and is entitled to exemption from PRC enterprise income tax for three years (the "**3-Year Exemption Entitlement**") and a 50% reduction for three years thereafter (the "**3-Year 50% Tax Reduction Entitlement**"). The 3-Year Exemption Entitlement, which commenced for the financial year beginning on 1 January 2019 up to 31 December 2021 irrespective of whether the Qualifying Project is profit-making during this period and the 3-Year 50% Tax Reduction Entitlement will commence from the financial year beginning on 1 January 2022 to 31 December 2024. Therefore, the relevant profit generated from the qualifying public infrastructures is tax exempted for the years ended 31 December 2021 and 2020.

Chizhou Port Ocean Line Logistic Company Limited ("**Chizhou Logistic**"), a subsidiary of the Company, has been registered as a small low-profit enterprise under the applicable PRC tax law. As the annual taxable income of Chizhou Logistic does not exceed RMB1 million, the relevant EIT is computed at a reduced rate of 25% as taxable income amount and subject to EIT at 20%.

Withholding tax is calculated at 10% of the dividends declared in respect of profits earned by PRC entities distribute to a non-PRC holding company, except for the following non-PRC subsidiary of the Group which enjoyed certain tax reduction.

## 11. INCOME TAX EXPENSE (continued)

### (a) Income tax (continued)

Pursuant to the double tax arrangement between the PRC and Hong Kong effective on 1 January 2007, a qualified Hong Kong Tax resident will be liable for withholding income at the rate of 5% ("**Tax Reduction**") for dividend income derived from the PRC in the case where the holding company is a Hong Kong resident enterprise holding 25% or more equity interests in such PRC resident enterprise pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income. Ocean Line Port Development (Hong Kong) Limited ("**Ocean Line Hong Kong**"), a subsidiary of the Company, is entitled to the Tax Reduction, hence the applicable withholding tax rate for Ocean Line Hong Kong was 5% for the years ended 31 December 2021 and 2020.

The income tax expense for the year can be reconciled to the profit before income tax per the consolidated statement of comprehensive income as follows:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Profit before income tax | 94,249 | 75,250 |
| Taxation calculated at PRC EIT rate of 25% | 23,562 | 18,812 |
| Non-taxable income | (740) | (141) |
| Expenses not deductible for tax | 2,046 | 2,870 |
| Tax effect of preferential tax rates for subsidiaries | (11,171) | (11,366) |
| Withholding tax on dividend | 1,052 | 891 |
| Income tax expense | 14,749 | 11,066 |

### (b) Deferred tax

Details of the deferred tax assets and (liabilities) recognised and movements in the year:

| | Deferred government grant<br>RMB'000 | Fair value adjustment of investment properties<br>RMB'000 | Interests capitalised as qualifying assets<br>RMB'000 | Withholding tax on undistributed dividends<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|---|
| As at 1 January 2020 | 4,767 | (3,893) | (374) | (3,592) | (3,092) |
| (Charged)/credited to profit or loss | (116) | (427) | 214 | (891) | (1,220) |
| As at 31 December 2020 and 1 January 2021 | 4,651 | (4,320) | (160) | (4,483) | (4,312) |
| Charged to profit or loss | (116) | (862) | – | (1,052) | (2,030) |
| As at 31 December 2021 | 4,535 | (5,182) | (160) | (5,535) | (6,342) |

## 11. INCOME TAX EXPENSE (continued)

### (b) Deferred tax (continued)

As at 31 December 2021, the Group recognised deferred tax liabilities of approximately RMB5,535,000 (2020: RMB4,483,000), for withholding tax that would be payable on the retained profits of the Group's subsidiaries established in the PRC. There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

For the purpose of presentation in consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Deferred tax assets | – | 171 |
| Deferred tax liabilities | (6,342) | (4,483) |
| | (6,342) | (4,312) |

## 12. DIVIDENDS

No dividend has been paid or declared by the Company during the years ended 31 December 2021 and 2020.

The Board does not recommend the payment of a final dividend for the year.

## 13. EARNINGS PER SHARE

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Profit for the year attributable to owners of the Company | 57,206 | 44,579 |

| | 2021 | 2020 |
|---|---|---|
| Weighted average number of ordinary shares in issue | 800,000,000 | 800,000,000 |

The calculation of basic earnings per share for the year ended 31 December 2021 is based on profit attributable to owners of the Company of approximately RMB57,206,000 (2020:RMB44,579,000) and on the weighted average number of 800,000,000 ordinary shares in issue during the years ended 31 December 2021 and 2020.

Diluted earnings per share is the same as the basic earnings per share because the Company has no potentially dilutive shares in issue during the years ended 31 December 2021 and 2020.

## 14. PROPERTY, PLANT AND EQUIPMENT

| | Terminal facilities RMB'000 | Buildings RMB'000 | Port machinery and equipment RMB'000 | Vessels RMB'000 | Motor vehicles RMB'000 | Furniture and office equipment RMB'000 | Leasehold improvements RMB'000 | Construction-in-progress RMB'000 | Right-of-use assets RMB'000 *(note)* | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2020 | | | | | | | | | | |
| Cost | 289,954 | 17,521 | 84,947 | 13,616 | 4,937 | 3,101 | 4,095 | 108,425 | 63,515 | 590,111 |
| Accumulated depreciation | (81,807) | (4,209) | (46,349) | (2,604) | (1,991) | (2,213) | (1,165) | – | (10,032) | (150,370) |
| Net carrying amount | 208,147 | 13,312 | 38,598 | 11,012 | 2,946 | 888 | 2,930 | 108,425 | 53,483 | 439,741 |
| Year ended 31 December 2020 | | | | | | | | | | |
| Opening net carrying amount | 208,147 | 13,312 | 38,598 | 11,012 | 2,946 | 888 | 2,930 | 108,425 | 53,483 | 439,741 |
| Additions | 119 | – | 3,153 | – | 563 | 46 | 47 | 7,917 | 1,331 | 13,176 |
| Transfers in/(from) | 89,102 | – | 22,028 | 411 | – | – | – | (111,541) | – | – |
| Disposals | – | – | – | – | (6) | – | – | – | – | (6) |
| Depreciation | (14,932) | (489) | (7,660) | (828) | (576) | (161) | (137) | – | (1,654) | (26,437) |
| Eliminated on disposals | – | – | – | – | 4 | – | – | – | – | 4 |
| Exchange realignment | – | – | – | – | – | – | – | – | (16) | (16) |
| Closing net carrying amount | 282,436 | 12,823 | 56,119 | 10,595 | 2,931 | 773 | 2,840 | 4,801 | 53,144 | 426,462 |
| At 31 December 2020 and 1 January 2021 | | | | | | | | | | |
| Cost | 379,175 | 17,521 | 110,128 | 14,027 | 5,494 | 3,147 | 4,142 | 4,801 | 64,846 | 603,281 |
| Accumulated depreciation | (96,739) | (4,698) | (54,009) | (3,432) | (2,563) | (2,374) | (1,302) | – | (11,702) | (176,819) |
| Net carrying amount | 282,436 | 12,823 | 56,119 | 10,595 | 2,931 | 773 | 2,840 | 4,801 | 53,144 | 426,462 |
| Year ended 31 December 2021 | | | | | | | | | | |
| Opening net carrying amount | 282,436 | 12,823 | 56,119 | 10,595 | 2,931 | 773 | 2,840 | 4,801 | 53,144 | 426,462 |
| Additions | 16,448 | 73 | 453 | – | 136 | 51 | – | 1,618 | 11,356 | 30,135 |
| Transfers in/(from) | 1,251 | – | 2,358 | 578 | – | – | – | (4,187) | – | – |
| Disposals | – | – | (2,354) | (579) | – | (2) | – | – | – | (2,935) |
| Depreciation | (15,644) | (578) | (7,844) | (611) | (551) | (128) | (155) | – | (1,881) | (27,392) |
| Eliminated on disposals | – | – | 102 | 31 | – | 2 | – | – | – | 135 |
| Exchange realignment | – | – | – | – | – | – | – | – | (36) | (36) |
| Closing net carrying amount | 284,491 | 12,318 | 48,834 | 10,014 | 2,516 | 696 | 2,685 | 2,232 | 62,583 | 426,369 |
| At 31 December 2021 | | | | | | | | | | |
| Cost | 396,874 | 17,594 | 110,585 | 14,026 | 5,630 | 3,196 | 4,142 | 2,232 | 76,202 | 630,481 |
| Accumulated depreciation | (112,383) | (5,276) | (61,751) | (4,012) | (3,114) | (2,500) | (1,457) | – | (13,619) | (204,112) |
| Net carrying amount | 284,491 | 12,318 | 48,834 | 10,014 | 2,516 | 696 | 2,685 | 2,232 | 62,583 | 426,369 |

## 14. PROPERTY, PLANT AND EQUIPMENT (continued)

*Note:*

Right-of-use assets

| | Office properties RMB'000 | Leasehold land RMB'000 | Total RMB'000 |
|---|---|---|---|
| As at 1 January 2020 | 405 | 53,078 | 53,483 |
| Addition | 1,331 | – | 1,331 |
| Depreciation | (370) | (1,284) | (1,654) |
| Exchange realignment | (16) | – | (16) |
| As at 31 December 2020 and 1 January 2021 | 1,350 | 51,794 | 53,144 |
| Addition | – | 11,356 | 11,356 |
| Depreciation | (446) | (1,435) | (1,881) |
| Exchange realignment | (36) | – | (36) |
| As at 31 December 2021 | 868 | 61,715 | 62,583 |

The Group leases office properties and holds land use rights for use of land for port operation and investment properties. Lease terms for office properties 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. The leasehold land under right-of-use assets represents land use rights in the PRC whereby prepayments were made by the Group for the use of land in the PRC which are held on leases with lease terms between 40 and 50 years.

As at 31 December 2021, the Group's property, plant and equipment with net carrying amount of approximately RMB150,920,000 (2020: RMB158,590,000) were pledged to secure banking facilities as set out in note 26.

Details of the maturity analysis of lease liabilities and total cash outflow for leases are set out in notes 25 and 33(b) respectively.

## 15. INVESTMENT PROPERTIES

| | Completed RMB'000 | Under construction RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Fair value** | | | |
| At 1 January 2020 | 45,270 | 7,260 | 52,530 |
| Additions | 348 | 8,731 | 9,079 |
| Transfer | 7,260 | (7,260) | – |
| Changes in fair value | (348) | 1,539 | 1,191 |
| At 31 December 2020 and 1 January 2021 | 52,530 | 10,270 | 62,800 |
| Additions | 1,914 | 5,876 | 7,790 |
| Transfer | 10,270 | (10,270) | – |
| Changes in fair value | 3,076 | (146) | 2,930 |
| At 31 December 2021 | 67,790 | 5,730 | 73,520 |

The fair value of the Group's investment properties, which are warehouses for port operation including the land use rights for the land upon which the warehouses are situated, at 31 December 2021 and 2020 have been arrived at based on market value basis carried out by D&P China (HK) Limited, an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The land use rights are held on leases with lease terms between 40 and 50 years.

## 15. INVESTMENT PROPERTIES (continued)

Information about level 3 fair value measurements:

| | Valuation techniques | Unobservable input | Ranges | Relationship of unobservable input(s) to fair value |
|---|---|---|---|---|
| Land in the PRC | Direct comparison method | Adjustment rate to unit sales taking into account of individual factors such as location, usage and size etc. | 10% to 20% (2020: 10% to 20%) | The higher adjustment rate, the higher the fair value measurement, and vice versa. |
| Buildings (completed) in the PRC | Direct comparison method | Adjustment rate to unit sales taking into account of individual factors such as transaction status, location, property condition, economic environment, usage, size and time etc. | (32%) to (25%) (2020: (35%) to (15%)) | The higher adjustment rate, the higher the fair value measurement, and vice versa. |
| Buildings (under construction) in the PRC | Direct comparison method | Adjustment rate to unit sales taking into account of individual factors such as transaction status, location, property condition, economic environment, usage, size and time etc. | (39%) to (32%) (2020: (42%) to (22%)) | The higher adjustment rate, the higher the fair value measurement, and vice versa. |
| | | Estimated construction costs | RMB958 (2020: RMB665 to RMB759) per square meter | The higher the estimated construction costs, the lower the fair value, and vice versa. |

The valuations of investment properties were determined based on direct comparison method, by reference to recent market transaction prices of comparable properties and land in the similar locations with adjustments for other individual factors. The construction cost incurred and estimated construction cost to complete the development as at the date of valuation are also taken into account.

There were no changes to the valuation techniques during the year.

A reconciliation of the opening and closing fair value balance of the Group's investment properties is provided below.

| | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| Opening balance (level 3 recurring fair value) | 62,800 | 52,530 |
| Cost incurred | 7,790 | 9,079 |
| Gains on change in fair value included in profit or loss | 2,930 | 1,191 |
| Closing balance (level 3 recurring fair value) | 73,520 | 62,800 |
| Change in fair value (unrealised gains) for the year included in profit or loss | 2,930 | 1,191 |

## 15. INVESTMENT PROPERTIES (continued)

There were no transfers between Level 1, Level 2 and Level 3 valuation during the year.

As at 31 December 2021, the Group's investment properties of approximately RMB15,400,000 (2020: RMB14,700,000) were pledged to banking facilities as set out in note 26.

## 16. EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| **Non-current assets** | | |
| Unlisted equity investment | **4,568** | 4,504 |

The equity investment was irrevocably designated at FVOCI as the Group considers the investment to be long-term strategic capital investment in nature. Change in fair value of the above equity investment is recognised in other comprehensive income and accumulated within the fair value reserve within equity. The Group transfers amounts from fair value reserve (non-recycling) to retained earnings when the relevant equity investment is derecognised.

Particulars of investment in unlisted equity securities held by the Group as at 31 December 2021 and 2020 are as follows:

| Name of investee company | Place of incorporation | Percentage of effective interest held | | Carrying value | |
|---|---|---|---|---|---|
| | | 2021 | 2020 | 2021<br>RMB'000 | 2020<br>RMB'000 |
| Chizhou Wusha Port Transportation Company Limited | The PRC | **7.2%** | 7.2% | **4,568** | 4,504 |

The fair value of the Group's equity investment at 31 December 2021 and 2020 has been arrived at based on asset approach carried out by Peak Vision Appraisals Limited, an independent valuer who holds a recognised and relevant professional qualification. Under the asset approach, the share of the net asset value has been used to capture the present value of the expected future economic benefits to be derived from the ownership of the equity investment.

## 16. EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

| | 2021<br>Level 3<br>RMB'000 | 2020<br>Level 3<br>RMB'000 |
|---|---|---|
| Unlisted equity investment | 4,568 | 4,504 |

Information about level 3 fair value measurements:

| Investment | Valuation techniques | Unobservable input | Range | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|
| Unlisted equity investment in the PRC | Asset approach | Discount for lack of control | 9.91%<br>(2020: 9.91%) | The discount rate is negatively correlated to the fair value measurement of the unlisted equity investment. A slight increase in the discount for lack of control would result in a slight decrease in fair value measurement of the equity investment, and vice versa. |

There were no changes to the valuation techniques during the year.

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Opening balance (level 3 recurring fair value) | 4,504 | – |
| Addition during the year | – | 5,000 |
| Change in fair value included in other comprehensive income | 64 | (496) |
| Closing balance (level 3 recurring fair value) | 4,568 | 4,504 |

There were no transfers between Level 1, Level 2 and Level 3 valuation during the year.

## 17. INVENTORIES

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Consumables | 1,678 | 1,786 |

## 18. TRADE RECEIVABLES

| | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| Trade receivables | 5,432 | 2,102 |
| Less: Provision for impairment | (1,006) | (1,006) |
| Trade receivables, net | 4,426 | 1,096 |

The credit period for trade receivables is generally ranging from 10 to 55 days. The directors of the Company consider that the fair value of the trade receivables which are expected to be recovered within one year is not materially different from their carrying amounts because the balance has short maturity periods on their inception.

Based on invoice dates, ageing analysis of the Group's trade receivables, net of impairment provision, is as follows:

| | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| 0 to 30 days | 4,386 | 1,088 |
| 31 to 90 days | 32 | 5 |
| 91 to 120 days | – | – |
| 121 to 365 days | – | – |
| Over 1 year | 8 | 3 |
| | 4,426 | 1,096 |

The below table reconciled the provision of impairment loss on trade receivables during the year:

| | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| Balance at 1 January | 1,006 | 1,006 |
| Expected credit losses recognised during the year | – | – |
| Balance at 31 December | 1,006 | 1,006 |

## 19. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| **Current assets** | | |
| Bills receivables | – | 2,690 |

As at 31 December 2020, the maturity period for bills receivables is ranging from 3 to 6 months.

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

| | 2021<br>Level 3<br>RMB'000 | 2020<br>Level 3<br>RMB'000 |
|---|---|---|
| Bills receivables | – | 2,690 |

Information about level 3 fair value measurements:

| | Valuation techniques | Unobservable input | Range | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|
| Bills receivables | Income approach — in this approach, the discounted cash flow method was used to capture the present value of the cash flows to be derived from the receivables | Discount rate | N/A<br>(2020: 4.3% – 4.7%) | The discount rate is negatively correlated to the fair value measurement of bills receivables. |

## 19. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

There were no changes to the valuation techniques during the year.

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Opening balance (level 3 recurring fair value) | **2,690** | 10,459 |
| Additions | **5,554** | 13,346 |
| Disposals | **(8,244)** | (21,115) |
| Closing balance (level 3 recurring fair value) | **–** | 2,690 |

There were no transfer in Level 1, Level 2 and Level 3 during the year.

As at 31 December 2021, the Group endorsed certain bills receivables accepted by banks in the PRC to certain of its suppliers to settle the payables to these suppliers with carrying amounts in aggregate of approximately RMB1,158,000 (2020: RMB950,000) (collectively referred to as the "**Derecognised Bills**"). The Derecognised Bills have a maturity term from 3 to 6 months (2020: 3 to 6 months) at the reporting dates. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**"). In the opinion of the directors of the Company, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated payables to the suppliers. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their face amounts. In the opinion of the directors of the Company, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement of bills receivables have been made evenly throughout the year.

## 20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | *Notes* | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|---|
| Deposits | *(i)* | **1,780** | 618 |
| Prepayments | *(ii)* | **345** | 11,267 |
| Other receivables | *(iii)* | **4,624** | 10,663 |
| | | **6,749** | 22,548 |
| Classified as: | | | |
| Non-current assets | | **1,687** | 11,543 |
| Current assets | | **5,062** | 11,005 |
| | | **6,749** | 22,548 |

The Group does not hold any collateral over these balances.

*Notes:*

(i) As at 31 December 2021, included in deposits, approximately RMB80,000 (2020: RMB80,000) represents rental deposit paid to a related company, of which Mr. Kwai and Ms. Cheung are the beneficial owners.

(ii) During the year ended 31 December 2020, the Group has succeeded in the bid of the land use right of a piece of land located in Chizhou City, Anhui Province, the PRC (the "**Target Land**") through the listing-for-sale process conducted by a local bureau of Chizhou City at a consideration of approximately RMB11,020,000. As at 31 December 2021, the land use right of the Target land had been transferred to the Group and recognised as right-of-use assets.

(iii) As at 31 December 2021, the value-added tax for future deduction was approximately RMB4,415,000 (2020: RMB9,860,000) which are expected to be recovered or utilised within one year.

## 21. CASH AND CASH EQUIVALENTS

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Cash deposits at banks and on hand | 216,840 | 109,591 |
| Short-term deposits in a bank | 14,311 | 12,932 |
| **Cash and cash equivalents** | 231,151 | 122,523 |

Cash deposits at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits in a bank are made for 1 to 3 months (2020: 1 to 3 months) and earn interests at 0.3% to 2.5% per annum (2020: 0.3% to 2.3% per annum).

As at 31 December 2021, the Group has cash and bank balances denominated in RMB amounted to approximately RMB222,314,000 (2020: RMB109,239,000), of which the remittance of cash out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

## 22. TRADE PAYABLES

The credit period is generally 30 days.

Based on invoice dates, ageing analysis of the Group's trade payables is as follows:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| 0 to 30 days | 3,315 | 2,137 |
| 31 to 90 days | 105 | 130 |
| 91 to 120 days | – | 100 |
| 121 to 365 days | 46 | 639 |
| Over 1 year | 5,145 | 4,942 |
| | 8,611 | 7,948 |

## 23. CONTRACT LIABILITIES

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| **Contract liabilities arising from:** | | |
| Provision of port services | 47,797 | 45,346 |

### Typical payment terms which impact on the amount of contract liabilities recognised

Contract liabilities mainly relate to the deposits received from customers for port services based on the billing schedules as established in the contracts. The deposits that the Group receives on port services remain as contract liabilities until such time as the port services are provided to the customers.

### Movement in contract liabilities

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Balance at 1 January | 45,346 | 29,473 |
| Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year | (42,925) | (28,927) |
| Increase in contract liabilities as a result of billings in advance of port services being provided | 45,376 | 44,800 |
| Balance at 31 December | 47,797 | 45,346 |

## 24. OTHER PAYABLES, ACCRUALS AND RECEIPT IN ADVANCE

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Other payables | 40,944 | 38,446 |
| Accruals | 19,553 | 14,558 |
| Receipt in advance | 27,492 | 22,250 |
| | 87,989 | 75,254 |

Other payables mainly represented construction cost payables of investment properties, cost of fixed assets acquisition payable which are expected to be settled within one year. Receipt in advance mainly represented rental paid by tenants of the Group prior to their recognition as rental income under the accounting policy of the Group.

## 25. LEASE LIABILITIES

The amounts included in the consolidated statement of financial position in respect of the carrying amounts of lease liabilities and the movements during the year is as follows:

| | Office properties<br>RMB'000 |
|---|---|
| As at 1 January 2020 | 417 |
| Interest expense | 19 |
| Lease modification | 1,331 |
| Lease payments | (427) |
| Foreign exchange movements | (16) |
| As at 31 December 2020 and 1 January 2021 | 1,324 |
| Interest expense | 65 |
| Lease payments | (473) |
| Foreign exchange movements | (36) |
| As at 31 December 2021 | 880 |

## 25. LEASE LIABILITIES (continued)

Future lease payments are due as follows:

| | 31 December 2021 Minimum lease payments RMB'000 | Interest RMB'000 | Present value RMB'000 |
|---|---|---|---|
| Not later than one year | 466 | (39) | 427 |
| Later than one year and not later than five years | 465 | (12) | 453 |
| | 931 | (51) | 880 |

| | 31 December 2020 Minimum lease payments RMB'000 | Interest RMB'000 | Present value RMB'000 |
|---|---|---|---|
| Not later than one year | 481 | (66) | 415 |
| Later than one year and not later than five years | 962 | (53) | 909 |
| | 1,443 | (119) | 1,324 |

The present value of future lease payments are analysed as:

| | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| Current liabilities | 427 | 415 |
| Non-current liabilities | 453 | 909 |

## 25. LEASE LIABILITIES (continued)

### The Group as lessor

At the reporting date, the minimum rent receivables under non-cancellable operating leases are as follows:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Not later than one year | 2,701 | 1,559 |
| Later than one year and not later than two years | 1,138 | 1,223 |
| Later than two years and not later than three years | 975 | 1,138 |
| Later than three years and not later than four years | 965 | 975 |
| Later than four years and not later than five years | 711 | 965 |
| Later than five years | 2,254 | 2,965 |
| | 8,744 | 8,825 |

The Group leased its investment properties to tenants under operating leases. The leases run for an initial period of 1 to 20 years, with options to renew the lease terms upon expiry when all terms are re-negotiated. Certain leases include contingent rentals which are refundable if certain annual transportation volume targets from the tenants are met. No contingent rent in respect of these leases was recognised in profit or loss during the reporting periods.

## 26. BANKING FACILITIES

(a) As at 31 December 2021, the Group's banking facilities were secured by:

(i) the pledge of certain property, plant and equipment of the Group with net carrying amount of approximately RMB150,920,000 (2020: RMB158,590,000)(note 14) as at 31 December 2021; and

(ii) the pledge of investment properties of the Group of approximately RMB15,400,000 (2020: RMB14,700,000) (note 15) as at 31 December 2021.

(b) The Group's aggregate banking facilities amounted to approximately RMB115,812,000 (2020: RMB115,812,000) of which Nil (2020: Nil) has been utilised as at 31 December 2021.

## 27. DUE FROM/TO NON-CONTROLLING INTERESTS

The balances are unsecured, interest free, repayable on demand and non-trade in nature.

## 28. DEFERRED GOVERNMENT GRANT

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| At beginning of the year | **34,314** | 35,204 |
| Amortisation | **(890)** | (890) |
| At end of the year | **33,424** | 34,314 |
| Classified as: | | |
| Non-current liabilities | **32,534** | 33,424 |
| Current liabilities | **890** | 890 |
| | **33,424** | 34,314 |

The Group's deferred government grants mainly related to the Group's acquisition payments for investment properties and leasehold land recognised in right-of-use assets. The Group does not have any unfulfilled conditions and other contingencies attaching to government assistance in regard to the government grants at the reporting dates.

## 29. SHARE CAPITAL

| | Number of ordinary shares | HK'000 | RMB'000 |
|---|---|---|---|
| **Authorised:** | | | |
| As at 1 January 2020, 31 December 2020 and 31 December 2021 | 5,000,000,000 | 50,000 | 40,929 |
| **Issued and fully paid:** | | | |
| As at 1 January 2020, 31 December 2020 and 31 December 2021 | 800,000,000 | 8,000 | 6,758 |

## 30. RESERVES

### (a) Share premium

The share premium represents the excess of the proceeds received over the nominal value of the Company's shares issued.

### (b) Special reserve

In accordance with the regulations of the State Administration of Work Safety, the PRC subsidiaries have commitment to appropriate 1% of corresponding turnover to a special reserve which will be used for enhancement of safety production environment and improvement of facilities.

### (c) Statutory reserve

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the PRC subsidiaries, they are required to appropriate 10% of the annual net profits of the PRC subsidiaries after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory reserve before distributing any net profit. Such appropriation is applicable to Chizhou Ocean Line Niutoushan Limited ("**Chizhou Niutoushan**"), and Yuan Hang Port Development (Chizhou) Limited, subsidiaries of the Group.

In accordance with the relevant laws and regulations in the PRC and Articles of Association of Chizhou Port Holdings, as a Sino-foreign equity joint venture, it is required to appropriate 20% of its annual net profit, determined by the board of directors, to the statutory reserve fund before distributing any net profit.

When the balance of the statutory reserve reaches 50% of the registered capital of the PRC subsidiaries, any further appropriation is at the discretion of shareholders. The statutory reserve can be used to offset prior years' losses, if any, and may be capitalised as capital, provided that the remaining balance of the statutory reserve after such issue is no less than 25% of registered capital.

### (d) Other reserve

Other reserves represent the difference between the investment costs in subsidiaries and the nominal value of the issued share capital and capital reserve (if any) of the Company's subsidiaries.

### (e) Capital reserve

Capital reserve represents capital contribution from the controlling shareholder to the Group.

### (f) Assets revaluation reserve

Assets revaluation reserve represents the revaluation surplus arising from transfer of payments for certain leasehold land held for own use under operating leases to investment properties upon change in use.

### (g) Fair value reserve

The balance represents the cumulative net change in the fair value of equity investment designated at FVOCI that are held at the end of the reporting period.

## 31. CAPITAL COMMITMENTS

At the reporting date, the Group had the following capital commitments:

| | *Notes* | **2021 RMB'000** | 2020 RMB'000 |
|---|---|---|---|
| Contracted, but not provided for | | | |
| — Construction in progress | | **6,707** | 4,167 |
| — Investment in the Chizhou Port Meilong Port Affairs Company Limited ("**Chizhou Meilong**") | *(i)* | **21,600** | 21,600 |
| — Investment in equity investment at FVOCI | *(ii)* | **15,000** | 15,000 |

*Notes:*

(i) On 26 November 2020, Chizhou Port Holdings entered into an agreement with two investors which are PRC state-controlled entities pursuant to which Chizhou Port Holdings agreed to make a cash injection of RMB36,000,000 in total by installment into the capital of the Chizhou Meilong, the Group's subsidiary, in return for 72% equity interest of Chizhou Meilong. In addition, the other investors agreed to make cash injections proportionate to their holdings. The fund injected by Chizhou Port Holdings and two investors will be utilised for the construction of a new port terminal. During the year ended 31 December 2020, Chizhou Port Holdings has injected RMB14,400,000. During the year ended 31 December 2021, the shareholders of Chizhou Meilong entered into a supplemental agreement, pursuant to which the parties thereto agreed that the timing of the remaining 60% of their total capital contribution to Chizhou Meilong will be determined by the shareholders of Chizhou Meilong based on the project progress of Chizhou Meilong. As at 31 December 2020 and 2021, the outstanding capital commitment by the Group and two investors are RMB21,600,000 and RMB8,400,000, respectively.

(ii) On 30 September 2020, Chizhou Port Holdings entered into an agreement with three investors of which two are PRC state-controlled entities and one independent third party pursuant to which Chizhou Port Holdings agreed to make a cash injection of RMB20,000,000 in total into the investee by installment into the capital of the equity investment at FVOCI in return for 10% equity interest of the equity investment at FVOCI. In addition, the other investors agreed to make cash injections proportionate to their holdings. During the year ended 31 December 2020, Chizhou Port Holdings has injected RMB5,000,000 into the investee and the investment is classified as equity investment at FVOCI.

## 32. RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in these consolidated financial statements, the Group had the following related party transactions during the year:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Lease payment paid to a related company *(note)* | **473** | 427 |

*Note:* Ocean Line Hong Kong, a subsidiary of the Company and a related company entered into a tenancy agreement pursuant to which the related party as the landlord agreed to lease certain premises to Ocean Line Hong Kong as the tenant. The annual rental under the tenancy agreement amounted to approximately HK$570,000 from 1 January 2021 and expiring on 31 December 2023 (2020: HK$480,000 from 1 January 2018 and expiring on 31 December 2020). Mr. Kwai and Ms. Cheung are the beneficial owners of the related company.

The above transaction with a related company was negotiated and carried out in the ordinary course of business and at terms agreed between the Group and the related company.

(b) **Key management personnel compensation**

The directors of the Company consider that the key management personnel compensation comprises only the emoluments of the directors as disclosed in note 10.

## 33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Major Non-Cash Transaction:

During the year ended 31 December 2020, the Group had non-cash additions to right-of-use assets and lease liabilities of approximately RMB1,331,000 and RMB1,331,000, respectively in respect of lease arrangement for office properties.

### (b) Reconciliation of liabilities arising from financing activities:

| | | | Non-cash changes | | | | |
|---|---|---|---|---|---|---|---|
| | As at 1 January 2021 RMB'000 | Financing cash flow RMB'000 | Interest expense recognised RMB'000 | Dividend declared* RMB'000 | Lease modification RMB'000 | Exchange Movements RMB'000 | At 31 December 2021 RMB'000 |
| **Year ended 31 December 2021** | | | | | | | |
| Due to a non-controlling interest | 973 | (973) | – | 1,017 | – | – | 1,017 |
| Due from a non-controlling interest | (5,600) | 5,600 | – | – | – | – | – |
| Lease liabilities | 1,324 | (473) | 65 | – | – | (36) | 880 |

| | | | Non-cash changes | | | | |
|---|---|---|---|---|---|---|---|
| | As at 1 January 2020 RMB'000 | Financing cash flow RMB'000 | Interest expense recognised RMB'000 | Dividend declared* RMB'000 | Lease modification RMB'000 | Exchange Movements RMB'000 | At 31 December 2020 RMB'000 |
| **Year ended 31 December 2020** | | | | | | | |
| Due to a non-controlling interest | – | – | – | 973 | – | – | 973 |
| Bank borrowings | 34,188 | (34,724) | 536 | – | – | – | – |
| Lease liabilities | 417 | (427) | 19 | – | 1,331 | (16) | 1,324 |

* It represented the dividend declared by a non-wholly owned subsidiary as set out in note 37(b).

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

These risks are limited by the Group's financial management policies and practices described below.

### (a) Interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rate.

### (b) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has foreign currency exposures. Such exposures arise from the balance of assets and liabilities in currencies other than the functional currency of the Group's entities. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date that are considered significant by the directors of the Company are stated as follows:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| **Assets:** | | |
| HK dollar ("**HK$**") | 7,861 | 12,659 |
| **Liabilities** | | |
| HK$ | (1,676) | (2,201) |
| **Net exposure to foreign currency risk** | 6,185 | 10,458 |

The Group's policy requires the management monitors foreign exchange exposure by closely monitoring the movement of foreign currency rate and may enter into foreign currency options or forward contracts, when and where appropriate.

The following table illustrates the sensitivity of the Group's profit for the year and retained earnings at end of the year in regard to a 5% depreciation in the functional currency of the Group's entities against the foreign currency. These rates are the rates used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (b) Foreign currency risk (continued)

The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the year has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the year and held constant throughout the year.

| | Increase on profit for the year/retained earnings | |
|---|---|---|
| | 2021 RMB'000 | 2020 RMB'000 |
| HK$ | 309 | 523 |

The same percentage appreciation in the functional currencies of the Group's entities against the respective foreign currency would have the same magnitude on the Group's profit or loss and equity but of opposite effect.

### (c) Credit risk

As at 31 December 2021 and 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is primarily attributable to trade and other receivables, due from non-controlling interests, debt instruments at FVOCI, equity investment at FVOCI and bank deposits. The Group has a credit policy in place and exposures to these credit risks are monitored on an ongoing basis.

The Group applies simplified approach to measure ECL on trade receivables; and general approach to measure ECL on other receivables, due from non-controlling interests, debt instruments at FVOCI and cash and cash equivalent. Under the simplified approach, the Group measures the loss allowance at an amount equal to lifetime ECL. Under the general approach, financial assets migrate through the following three stages based on the change in credit risk since initial recognition: Stage 1: 12-month ECL, Stage 2: Lifetime ECL — not credit-impaired and Stage 3: Lifetime ECL — credit-impaired.

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (c) Credit risk (continued)

**Financial assets with credit risk exposure**

*(i) Debt instruments at FVOCI*

The Group has concentration of credit risk with bills receivables from trade issued by bank. The credit risk on the bills receivables is limited because the counterparties are mainly banks with high credit-rating or with good reputation.

*(ii) Other receivables and due from non-controlling interests*

The directors have made individual assessment on the recoverability of other receivables and the amounts due from non-controlling interests based on historical settlement records, past experience, and also forward-looking information, as appropriate. The Group has considered the consistently low historical default rate in connection with payments, and concluded that credit risk inherent in the Group's outstanding other receivables and amounts due from non-controlling interests is insignificant.

*(iii) Cash and cash equivalent*

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions and counterparties will fail to meet their obligations.

The Group has concentration of credit risk from various customers. In view of their good payment record and long established relationships with the Group, management does not consider the Group's credit risk to be significant. At 31 December 2021, the Group's largest trade receivables balance and the five largest trade receivables accounted for 45% (2020: 35%) and 73% (2020: 91%) of the total trade receivable, respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (c) Credit risk (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

| | Expected loss rate % | Gross carrying amount RMB'000 | Loss allowance RMB'000 |
|---|---|---|---|
| **As at 31 December 2021** | | | |
| Neither past due nor impaired | 0.2% | 2,979 | – |
| 1–30 days past due | 0.3% | 1,407 | – |
| 31–90 days past due | 1.1% | 32 | – |
| 91–120 days past due | 3.4% | – | – |
| Over 120 days past due | 13.9% | 1,014 | 1,006 |
| | | 5,432 | 1,006 |

| | Expected loss rate % | Gross carrying amount RMB'000 | Loss allowance RMB'000 |
|---|---|---|---|
| **As at 31 December 2020** | | | |
| Neither past due nor impaired | 0.2% | 1,085 | – |
| 1–30 days past due | 0.3% | 7 | – |
| 31–90 days past due | 1.1% | – | – |
| 91–120 days past due | 3.4% | – | – |
| Over 120 days past due | 17.7% | 1,010 | 1,006 |
| | | 2,102 | 1,006 |

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the year over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The Group's management considers that trade receivables that were past due but not impaired under review are of good credit quality. The maximum exposure to credit risk at the reporting date is the fair value of trade receivables. The Group does not hold any collateral in respect of trade receivables past due but not impaired.

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (c) Credit risk (continued)

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Balance at 1 January | **1,006** | 1,006 |
| Expected credit losses recognised | **–** | – |
| Balance at 31 December | **1,006** | 1,006 |

There are no significant changes in the gross carrying amount of trade receivables contributed to the increase in the loss allowance during the year.

### (d) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major banks and financial institutions to meet its liquidity requirements in the short and longer terms. The Group also monitors the utilisation of borrowings and ensures compliance with loan covenants.

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (d) Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the reporting dates, based on the contractual undiscounted payments, are as follows:

| | Carrying amount RMB'000 | Total contractual undiscounted cash flow RMB'000 | On demand or within one year RMB'000 | More than one year but not exceeding two years RMB'000 | More than two years but not more than five years RMB'000 | More than five years RMB'000 |
|---|---|---|---|---|---|---|
| **At 31 December 2021** | | | | | | |
| Trade payables | 8,611 | 8,611 | 8,611 | – | – | – |
| Other payables and accruals | 58,566 | 58,566 | 58,566 | – | – | – |
| Due to a non-controlling interest | 1,017 | 1,017 | 1,017 | – | – | – |
| Lease liabilities | 880 | 931 | 466 | 465 | – | – |
| | 69,074 | 69,125 | 68,660 | 465 | – | – |

| | Carrying amount RMB'000 | Total contractual undiscounted cash flow RMB'000 | On demand or within one year RMB'000 | More than one year but not exceeding two years RMB'000 | More than two years but not more than five years RMB'000 | More than five years RMB'000 |
|---|---|---|---|---|---|---|
| **At 31 December 2020** | | | | | | |
| Trade payables | 7,948 | 7,948 | 7,948 | – | – | – |
| Other payables and accruals | 50,611 | 50,611 | 50,611 | – | – | – |
| Due to a non-controlling interest | 973 | 973 | 973 | – | – | – |
| Lease liabilities | 1,324 | 1,443 | 481 | 481 | 481 | – |
| | 60,856 | 60,975 | 60,013 | 481 | 481 | – |

### (e) Fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade receivables, deposits and other receivables, trade payables, other payables and accruals, bank borrowings, lease liabilities, amounts due from/to non-controlling interests.

The fair values of the Group's financial assets and liabilities were not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair values of non-current liabilities were not disclosed because the carrying values were not materially different from the fair value.

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (f) Summary of financial assets and financial liabilities by category

The carrying amounts of each of the categories of financial instruments as at the reporting dates are as follows:

**Financial assets**

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| At amortised costs | | |
| — Trade receivables | 4,426 | 1,096 |
| — Deposits and other receivables | 570 | 898 |
| — Due from non-controlling interests | – | 5,600 |
| — Cash and cash equivalents | 231,151 | 122,523 |
| | 236,147 | 130,117 |
| Debt instruments at FVOCI | – | 2,690 |
| Equity investment at FVOCI | 4,568 | 4,504 |
| | 240,715 | 137,311 |

**Financial liabilities**

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| At amortised costs | | |
| — Trade payables | 8,611 | 7,948 |
| — Other payables and accruals | 58,566 | 50,611 |
| — Due to a non-controlling interest | 1,017 | 973 |
| — Lease liabilities | 880 | 1,324 |
| | 69,074 | 60,856 |

## 35. CAPITAL MANAGEMENT

The Group's capital management objectives include:

(i) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for owners and benefits for other stakeholders;

(ii) to support the Group's stability and growth; and

(iii) to provide capital for the purpose of strengthening the Group's risk management capability.

The capital structure of the Group consists of net debt, which includes bank borrowings, net of cash and cash equivalents and equity attributable to the owners of the Company.

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through payment of dividends, issue of new shares as well as issue of new debts. The Group monitors capital on the basis of gross gearing ratio. Gearing ratio is calculated based on the total debts which include payable incurred not in the ordinary course of business, divided by total equity.

The Group's total debts and total equity and gross gearing ratio at 31 December 2021 and 2020 were as follows:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Total debts | 1,017 | 973 |
| Total equity | 556,077 | 477,530 |
| Gross gearing ratio (%) | 0.2% | 0.2% |

## 36. SHARE-BASED PAYMENT TRANSACTIONS

The share option scheme of the Company (the "**Share Option Scheme**") has been conditionally adopted by way of shareholder's written resolution passed on 1 June 2018. The Share Option scheme has become unconditional on the 10 July 2018 (i.e. the listing date of the Company) and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Summary of the terms of the Share Option Scheme are set out below:

### (i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Company to grant options to the eligible participants who, has contributed or may contribute to the Group as incentive or reward for their contribution to the Group to subscribe for the Company's shares ("**the Shares**") thereby linking their interest with that of the Group.

### (ii) Eligibility of the Share Option Scheme

The "Eligible participants" of the Share Option Scheme include any employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner of the Company or any subsidiary (including any director of the Company or any subsidiary) who is in full-time or part-time employment with or otherwise engaged by the Company or any subsidiary at the time when an option is granted to such employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner who, in the absolute discretion of the Company's Board, has contributed or may contribute to the Group as incentive or reward for their contribution to the Group to subscribe for the Shares thereby linking their interest with that of the Group.

### (iii) Maximum entitlement of each participant

No Participants shall be granted an option if total number of the Shares issued and to be issued upon exercise of the options granted and to be granted to each grantee (including both exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant to such participant would exceed in aggregate 1% of the Shares for the time being in issue unless the proposed grant has been approved by the shareholder of the Company in general meeting with proposed grantee and its associates (as defined in the GEM Listing Rules) abstaining from voting.

### (iv) Period within which the Shares must be taken up under an option

An option may be exercised in accordance at any time during the period to be determined and identified by the Company's Board ("**the Board**") to each grantee at the time of making an offer for the grant of an option, but in any event no later than 10 years from the date of grant but subject to the early termination of the Share Option Scheme.

## 36. SHARE-BASED PAYMENT TRANSACTIONS (continued)

### (v) Minimum period, if any, for which an option must be held before it can be exercised

At the time of granting an option, the Company's directors ("**the Directors**") may, at their discretion, specify the minimum period(s), if any, for which an option must be held before it can be exercised.

### (vi) Amount payable upon acceptance of the option and the period within which the payment must be made

HK$1.00 shall be paid within 21 days from, and inclusive of the date of offer of the option.

### (vii) Basis of determining the exercise price of the option

The exercise price for Shares under the Share Option Scheme shall be a price determined at the discretion of the Directors, but in any case will not be less than the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer, which must be a business date;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer; or

(iii) the nominal value of a Share on the offer date of the particular option.

### (viii) Remaining life of the Share Option Scheme

Subject to early termination of the Scheme pursuant to the terms thereof, the Share Option Scheme shall be valid and effective for a period of 10 years commencing from the date on which the Share Option Scheme becomes effective, i.e. 1 June 2018 and ending on 31 May 2028.

On 23 December 2019, the controlling shareholders of the Company granted 1,334 shares of Vital Force to an executive director of the Company under the sales and purchase agreement as a reward for employee services to the Group without vesting conditions and without recharging arrangement. The estimated fair value of the share-based payments recognised on 23 December 2019 of RMB3,680,000 (equivalent to approximately HK$4,000,000 was expensed to the consolidated statement of comprehensive income as directors' remuneration and was capitalised in other reserves.

During the year ended 31 December 2021 and 2020, there is no option outstanding, granted, exercised, cancelled and lapsed under the Share Option scheme.

## 37. NON-CONTROLLING INTERESTS

Chizhou Port Holdings, a 72% owned subsidiary of the Company and Chizhou Niutoushan, a 77.7% owned subsidiary of the Company, have material non-controlling interests ("**NCI**"). Summarised financial information in relation to Chizhou Port Holdings and Chizhou Niutoushan, before intra-group eliminations, is presented below:

### (a) Chizhou Port Holdings

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Revenue | 117,889 | 103,649 |
| Profit for the year | 70,974 | 64,022 |
| Total comprehensive income | 71,038 | 63,526 |
| Profit allocated to NCI | 16,361 | 14,564 |
| Total comprehensive income allocated to NCI | 16,379 | 14,425 |
| Cash flows generated from operating activities | 91,834 | 129,831 |
| Cash flows used in investing activities | (20,579) | (64,680) |
| Cash flows used in financing activities | – | (29,857) |
| Net cash inflows | 71,255 | 35,294 |
| Current assets | 154,412 | 88,784 |
| Non-current assets | 466,481 | 466,156 |
| Current liabilities | (120,711) | (125,590) |
| Non-current liabilities | (33,216) | (33,423) |
| Net assets | 466,966 | 395,927 |
| Proportion of the ownership interest and voting rights held by NCI | 28.0% | 28.0% |
| Accumulated non-controlling interests | 117,389 | 101,010 |

## 37. NON-CONTROLLING INTERESTS (continued)

### (b) Chizhou Niutoushan

| | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| Revenue | **52,144** | 46,853 |
| Profit for the year | **26,302** | 22,635 |
| Total comprehensive income | **26,302** | 22,635 |
| Profit and total comprehensive income allocated to NCI | **5,858** | 5,041 |
| Dividends declared to NCI *(note)* | **(1,017)** | (973) |
| Cash flows generated from operating activities | **39,015** | 25,933 |
| Cash flows used in investing activities | **(4,605)** | (5,220) |
| Cash flows used in financing activities | **(20,292)** | (18,492) |
| Net cash inflows/(outflows) | **14,118** | 2,221 |
| Current assets | **41,922** | 27,741 |
| Non-current assets | **101,997** | 100,797 |
| Current liabilities | **(31,459)** | (22,044) |
| Net assets | **112,460** | 106,494 |
| Proportion of the ownership interest and voting rights held by NCI | **22.27%** | 22.27% |
| Accumulated non-controlling interests | **23,835** | 18,994 |

*Note:* On 10 May 2021, Chizhou Niutoushan declared dividend of approximately RMB20,336,000 (the "**2021 Declared Dividend**") to its shareholders. The 2021 Declared Dividends were distributed in accordance with the respective individual equity interests of the shareholders, out of the 2021 Declared Dividend, the Group was entitled to dividend of approximately RMB12,541,000 in respect of its equity interest of 61.67%, approximately RMB6,778,000 to the party with equity interests of 33.33%, and of approximately RMB1,017,000 to the party with equity interests of 5% in Chizhou Niutoushan, respectively.

On 9 May 2020, Chizhou Niutoushan declared dividend of approximately RMB19,465,000 (the "**2020 Declared Dividend**") to its shareholders. The 2020 Declared Dividends were distributed in accordance with the respective individual equity interests of the shareholders, out of the 2020 Declared Dividend, the Group was entitled to dividend of approximately RMB12,004,000 in respect of its equity interest of 61.67%, approximately RMB6,488,000 to the party with equity interests of 33.33%, and of approximately RMB973,000 to the party with equity interests of 5% in Chizhou Niutoushan, respectively.

## 38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

| | Note | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | – | 8 |
| Investment in subsidiaries | | 144,000 | 144,000 |
| | | 144,000 | 144,008 |
| **Current asset** | | | |
| Prepayments and other receivables | | 30 | 32 |
| Due from subsidiaries | | 40,525 | 38,942 |
| Cash and cash equivalents | | 34 | 175 |
| | | 40,589 | 39,149 |
| **Current liabilities** | | | |
| Accruals | | 792 | 840 |
| Due to a subsidiary | | 7,616 | 2,986 |
| | | 8,408 | 3,826 |
| **Net current assets** | | 32,181 | 35,323 |
| **Net assets** | | 176,181 | 179,331 |
| **EQUITY** | | | |
| Share capital | *29* | 6,758 | 6,758 |
| Reserve *(note)* | | 198,326 | 198,326 |
| Accumulated losses | | (28,903) | (25,753) |
| **Total equity** | | 176,181 | 179,331 |

Kwai Sze Hoi
*Director*

Huang Xueliang
*Director*

## 38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

*Note:*

| | Share capital RMB'000 | Share premium RMB'000 | Capital reserve RMB'000 | Other reserve RMB'000 | Accumulated losses RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **At 1 January 2020** | 6,758 | 50,277 | 144,369 | 3,680 | (21,829) | 183,255 |
| Loss and total comprehensive income for the year | – | – | – | – | (3,924) | (3,924) |
| **At 31 December 2020 and 1 January 2021** | **6,758** | **50,277** | **144,369** | **3,680** | **(25,753)** | **179,331** |
| Loss and total comprehensive income for the year | **–** | **–** | **–** | **–** | **(3,150)** | **(3,150)** |
| **At 31 December 2021** | **6,758** | **50,277** | **144,369** | **3,680** | **(28,903)** | **176,181** |

## 39. PARTICULAR OF SUBSIDIARIES

| Company name | Place and date of incorporation | Particulars of issued and fully paid up share capital/registered capital | | Effective percentage of equity held by the Company | | | | Principal activities |
|---|---|---|---|---|---|---|---|---|
| | | As at 31 December 2021 | As at 31 December 2020 | As at 31 December 2021 | | As at 31 December 2020 | | |
| | | | | Directly | Indirectly | Directly | Indirectly | |
| Ocean Line Chizhou | BVI<br>9 October 2007 | **US$2** | US$2 | **100.00%** | **–** | 100.00% | – | Investment holding |
| Noble Century Ventures Limited | BVI<br>26 April 2017 | **US$10** | US$10 | **100.00%** | **–** | 100.00% | – | Investment holding |
| Chizhou Port Holdings *(notes 1 and 4)* | The PRC<br>18 December 2007 | **RMB342,177,063** | RMB301,264,457 | **–** | **72.00%** | – | 72.00% | Port operation |
| Yuan Hang Port Development (Chizhou) Limited *(note 2)* | The PRC<br>28 November 2017 | **RMB100,000** | RMB100,000 | **–** | **100.00%** | – | 100.00% | Investment holding |
| Chizhou Logistic *(note 3)* | The PRC<br>27 April 2021 | **RMB500,000** | – | **–** | **72.00%** | – | – | Logistic services |
| Chizhou Niutoushan *(notes 3 and 4)* | The PRC<br>11 April 2012 | **RMB80,000,000** | RMB80,000,000 | **–** | **77.73%** | – | 77.73% | Port operation |
| Chizhou Meilong *(notes 3 and 4)* | The PRC<br>3 December 2020 | **RMB20,000,000** | Registered capital: RMB50,000,000 | **–** | **51.84%** | – | 51.84% | Inactive |
| Ocean Line Hong Kong | Hong Kong<br>30 October 2017 | **HK$1** | HK$1 | **–** | **100.00%** | – | 100.00% | Investment holding |

## 39. PARTICULAR OF SUBSIDIARIES (continued)

*Notes:*

1. a Sino-foreign equity joint venture operating in the PRC.

2. a wholly foreign owned enterprise operating in the PRC.

3. a limited liability company operating in the PRC.

4. The business operations of the Group for the provision of port services in the PRC are carried out by Chizhou Port Holdings and its subsidiaries. Chizhou Port Holdings is a Sino-foreign equity joint venture in which the PRC government own and hold, indirectly, 28% of its equity interests and hence have significant influence over Chizhou Port Holdings. Chizhou Port Holdings and its subsidiaries operate in the PRC, an economic environment currently predominated by entities directly or indirectly controlled by the PRC government through its government authorities, agencies, affiliations and other organisations (collectively referred to as "**state-controlled entities**"). Chizhou Port Holdings and its subsidiaries have entered into transactions with other PRC state-controlled entities during their ordinary course of businesses including but not limited to the purchases of inventories, construction works, rendering and receiving services and use of public utilities, among others.

# FINANCIAL SUMMARY

The following table summarises the results, assets and liabilities of the Group for the years ended 31 December 2017, 2018, 2019, 2020 and 2021:

The summary of the results, assets and liabilities of the Group for the years ended 31 December 2017 were extracted from the prospectus of the Company dated 27 June 2018.

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 | **2021** |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | **RMB'000** |
| RESULTS | | | | | |
| REVENUE | 63,638 | 94,344 | 146,225 | 150,502 | **165,837** |
| PROFIT BEFORE TAX | 5,118 | 33,138 | 78,582 | 75,250 | **94,249** |
| INCOME TAX EXPENSE | (4,092) | (7,758) | (18,485) | (11,066) | **(14,749)** |
| PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY | (1,940) | 17,765 | 41,432 | 44,579 | **57,206** |

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 | **2021** |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | **RMB'000** |
| ASSETS AND LIABILITIES | | | | | |
| TOTAL ASSETS | 377,239 | 491,757 | 616,011 | 650,180 | **748,461** |
| TOTAL LIABILITIES | (114,675) | (145,117) | (206,796) | (172,650) | **(192,384)** |
| NET ASSETS | 262,564 | 346,640 | 409,215 | 477,530 | **556,077** |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | 196,115 | 262,592 | 307,704 | 351,926 | **409,178** |