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

(Stock Code: 6117)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

During the Reporting Period:

- Revenue of the Company was RMB758.421 million, representing an increase of 23.3% as compared with the same period of last year;
- Net profit attributable to shareholders of the Company was RMB168.296 million, representing an increase of 11.4% as compared with the same period of last year;
- Earnings per share of the Company was RMB10.14 cents; and
- The Board recommended a final dividend of RMB0.024 per share (tax inclusive) to the Shareholders.

The board (the “**Board**”) of directors (the “**Directors**”) of Rizhao Port Jurong Co., Ltd. (the “**Company**”) is pleased to announce the audited financial results (the “**Final Results**”) of the Company for the year ended 31 December 2021 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2020. The Final Results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

		2021	2020
	Notes	RMB'000	RMB'000
Revenue	4	758,421	615,318
Cost of sales		<u>(500,081)</u>	<u>(379,161)</u>
Gross profit		258,340	236,157
Other income	6	8,768	7,700
Other gains, net		491	272
Impairment losses (recognised)/reversed		(123)	259
Selling and distribution expenses		(4,194)	(3,901)
Administrative expenses		(14,968)	(14,251)
Finance costs	7	<u>(22,245)</u>	<u>(24,397)</u>
Profit before income tax	8	226,069	201,839
Income tax expense	9	<u>(57,773)</u>	<u>(50,710)</u>
Profit and total comprehensive income attributable to the owners of the Company for the year		<u>168,296</u>	<u>151,129</u>
Earnings per share attributable to the owners of the Company			
– Basic and diluted (<i>expressed in RMB</i>)	10	<u>10.14 cents</u>	<u>9.10 cents</u>

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	12	1,797,815	1,849,524
Deposits for purchase of property, plant and equipment		915	1,198
Investment properties	13	295,221	302,996
Intangible assets		2,806	2,910
Other non-current assets		1,107	1,242
		<u>2,097,864</u>	<u>2,157,870</u>
Current assets			
Inventories		3,350	3,912
Trade and other receivables	14	31,876	48,012
Bills receivable at fair value through other comprehensive income (“FVTOCI”)	15	3,361	11,000
Contract assets		3,484	1,490
Cash and cash equivalents		592,669	280,280
		<u>634,740</u>	<u>344,694</u>
Current liabilities			
Trade and other payables	16	43,032	34,144
Contract liabilities		14,320	150
Lease liabilities	17	13,260	2,677
Advance payments from lease contract	18	2,375	2,375
Income tax payable		11,570	7,452
		<u>84,557</u>	<u>46,798</u>
Net current assets		<u>550,183</u>	<u>297,896</u>
Total assets less current liabilities		<u>2,648,047</u>	<u>2,455,766</u>

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Non-current liabilities			
Lease liabilities	17	232,920	205,198
Advanced payments from lease contract	18	17,219	19,594
Deferred tax liabilities		4,300	5,662
		254,439	230,454
Net assets		2,393,608	2,225,312
CAPITAL AND RESERVES			
Share capital	19	1,660,000	1,660,000
Reserves		733,608	565,312
Total equity		2,393,608	2,225,312

STATEMENT OF CHANGES IN EQUITY*For the year ended 31 December 2021*

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

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at 1 January 2021	<u>1,660,000</u>	<u>105,245</u>	<u>159,077</u>	<u>46,608</u>	<u>254,382</u>	<u>2,225,312</u>
Total comprehensive income for the year						
Profit and total comprehensive income for the year	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>168,296</u>	<u>168,296</u>
Transactions with owners						
Appropriation for statutory reserve	<u>–</u>	<u>–</u>	<u>–</u>	<u>16,858</u>	<u>(16,858)</u>	<u>–</u>
Total transactions with owners	<u>–</u>	<u>–</u>	<u>–</u>	<u>16,858</u>	<u>(16,858)</u>	<u>–</u>
Balance at 31 December 2021	<u><u>1,660,000</u></u>	<u><u>105,245</u></u>	<u><u>159,077</u></u>	<u><u>63,466</u></u>	<u><u>405,820</u></u>	<u><u>2,393,608</u></u>

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

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

These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

2. BASIS OF PREPARATION

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

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

The financial statements have been prepared on the historical cost basis except for bills receivable which are stated in fair values.

3. ADOPTION OF NEW AND AMENDED IFRSs

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

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

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

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

Issued but not effective IFRSs

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

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

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ Effective date to be determined

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

⁵ Effective for annual periods beginning on or after 1 April 2021

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

4. REVENUE

The Company's revenue recognised during the year is as follows:

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

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

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

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

5. SEGMENT INFORMATION

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

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

Geographic information

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

Information about major customers

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

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

6. OTHER INCOME

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

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

7. FINANCE COSTS

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

8. PROFIT BEFORE INCOME TAX

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Rental income from investment properties	85,700	81,224
Less: direct operating expenses incurred from investment properties	<u>(7,775)</u>	<u>(7,775)</u>
Net rental income from investment properties	<u>77,925</u>	<u>73,449</u>
Auditor's remuneration	753	525
Depreciation:		
– Property, plant and equipment	94,785	87,927
– Right-of-use assets	19,677	19,626
– Investment properties	7,775	7,775
Amortisation of intangible assets (<i>note b</i>)	<u>431</u>	<u>284</u>
Total depreciation and amortisation charged to profit or loss	<u>122,668</u>	<u>115,612</u>

	2021 RMB'000	2020 <i>RMB'000</i>
Lease charges:		
– Short-term leases	23,859	103
– Leases of low-value items	53	212
– Variable lease payments	16,543	10,959
Directors' and supervisors' emoluments	1,021	1,007
Other staff costs (exclude directors' and supervisors' emoluments):		
– Salaries, allowances and other benefits	52,363	47,218
– Retirement benefit scheme contributions (note a)	16,581	8,159
Total staff costs	69,965	56,384

Note:

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

9. INCOME TAX EXPENSE

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

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

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

10. EARNINGS PER SHARE

(a) Basic earnings per share

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

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

(b) Diluted earnings per share

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

11. DIVIDENDS

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

12. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2021, the additions of property, plant and equipment excluding construction in progress and right-of-use assets, mainly for terminal facilities, buildings, loading equipment and communication facilities and other equipment, were RMB8,610,000 (2020: RMB3,594,000).

During the year ended 31 December 2021, the Company disposed at the carrying amount of RMB149,000, resulting gain on disposal of RMB378,000 (2020: the Company write-off certain property, plant and equipment at the carrying amount of RMB436,000).

During the year ended 31 December 2021, the addition of construction in progress was RMB3,486,000 (2020: RMB36,609,000) and RMB28,590,000 (2020: RMB221,126,000) was transferred to certain items of property, plant and equipment.

13. INVESTMENT PROPERTIES

Terminal facilities RMB'000

At 1 January 2020

Cost	399,318
Accumulated depreciation	<u>(88,547)</u>

Net book amount	<u><u>310,771</u></u>
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Year ended 31 December 2020

Opening net book amount	310,771
Depreciation	<u>(7,775)</u>

Closing net book amount	<u><u>302,996</u></u>
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At 31 December 2020 and 1 January 2021

Cost	399,318
Accumulated depreciation	<u>(96,322)</u>

Net book amount	<u><u>302,996</u></u>
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Year ended 31 December 2021

Opening net book amount	302,996
Depreciation	<u>(7,775)</u>

Closing net book amount	<u><u>295,221</u></u>
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At 31 December 2021

Cost	399,318
Accumulated depreciation	<u>(104,097)</u>

Net book amount	<u><u>295,221</u></u>
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14. TRADE AND OTHER RECEIVABLES

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

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

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

15. BILLS RECEIVABLE AT FVTOCI

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

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

16. TRADE AND OTHER PAYABLES

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

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

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

17. LEASE LIABILITIES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Total minimum lease payments:		
Due within 1 year	34,954	22,929
Due within 1 year to 2 years	36,259	22,779
Due within 2 to 5 years	93,427	61,098
Due more than 5 years	579,832	614,605
	744,472	721,411
Less: future lease liabilities finance charges	(498,292)	(513,536)
Present value of lease liabilities	246,180	207,875

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Present value of minimum lease payments:		
Due within 1 year	13,260	2,677
Due within 1 to 2 years	15,218	2,724
Due within 2 to 5 years	13,621	1,679
Due more than 5 years	204,081	200,795
	246,180	207,875
Less: payment due within 1 year (presented under current liabilities)	(13,260)	(2,677)
Payment due after 1 year	232,920	205,198

18. ADVANCE PAYMENTS FROM LEASE CONTRACT

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

19. SHARE CAPITAL

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

20. CAPITAL COMMITMENTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Situation

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

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

Operation of the Port Industry

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

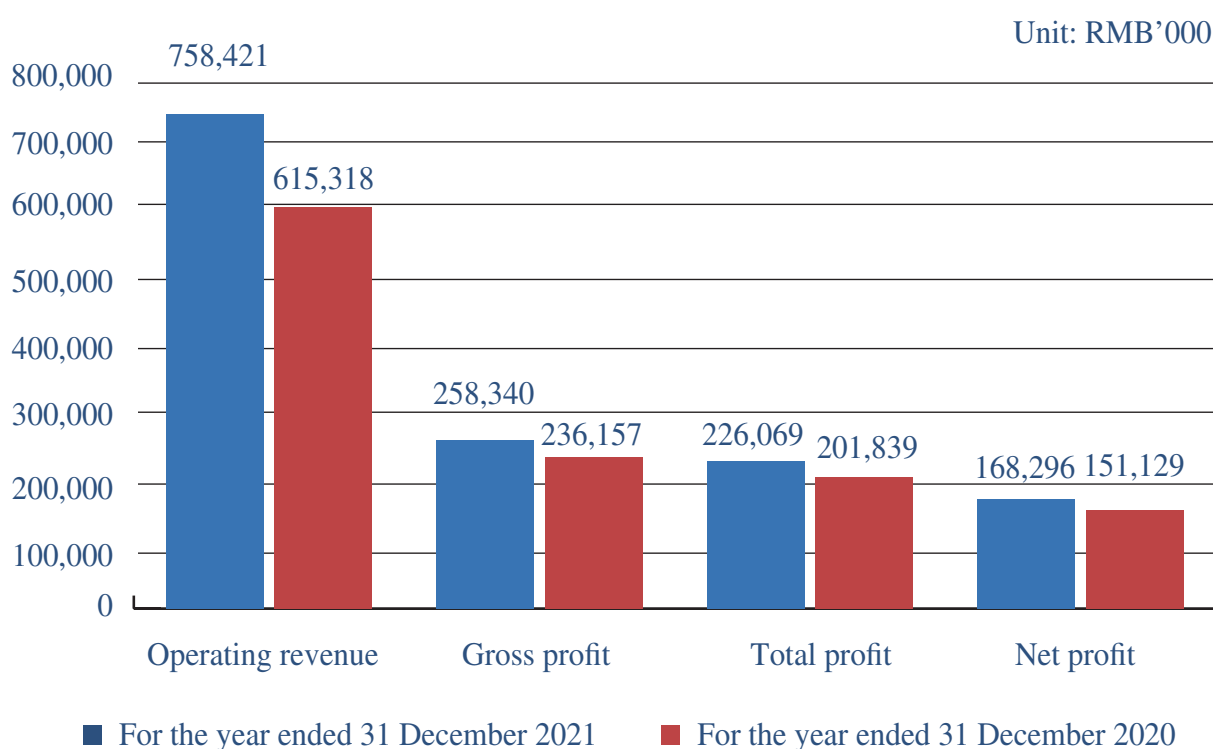
BUSINESS AND FINANCIAL REVIEW

Overall Review

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

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

Comparison of Major Performance



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

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

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

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

Financial Review

Revenue

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

(1) Total Revenue

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

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

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

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

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

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

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

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

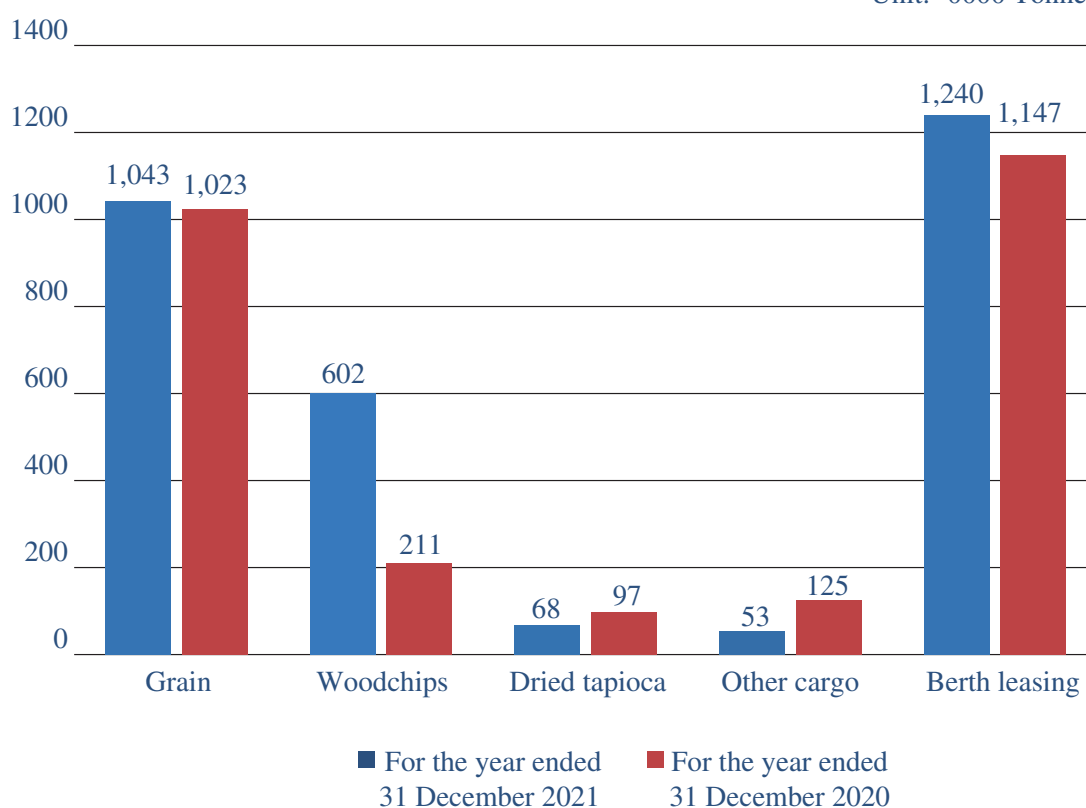
Throughput

Unit: '0000 tonnes Excluding percentage

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

Comparison of Throughput by Cargo Type

Unit: '0000 Tonnes



Grain

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

Woodchips

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

Dried tapioca

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

Other cargo

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

Berth leasing

The Company has a long-term lease agreement to lease its West-4 berth, Wood-2 berth and Wood-3 berth to Asia Symbol Shandong Co., Ltd. (亞太森博(山東)漿紙有限公司) (“**Asia Symbol**”), an independent third party engaged in wood pulp production. The business volume of berth leasing is mainly derived from the throughput of woodchips imported by Asia Symbol. Asia Symbol pays the Company a fixed rent each year, and is responsible for the maintenance of the leased berth and related berthing equipment.

Cost of sales

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

Gross profit

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

Administrative expenses

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

Other income

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

Finance costs

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

Income tax expense

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

Total comprehensive income for the period

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

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

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

During the Reporting Period, the Company's net cash from operating activities amounted to RMB363.18 million (the corresponding period of 2020: RMB300.484 million). The Company's net cash used in investing activities during the Reporting Period amounted to RMB4.604 million (the corresponding period of 2020: RMB39.882 million). The Company's net cash used in financing activities during the Reporting Period amounted to RMB46.187 million (the corresponding period of 2020: RMB178.429 million).

PLEDGE OF ASSETS

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

CONTINGENT LIABILITIES

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

CAPITAL EXPENDITURE

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

SIGNIFICANT INVESTMENTS

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

MATERIAL ACQUISITIONS AND DISPOSAL

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

EVENTS AFTER THE REPORTING PERIOD

Continuing Connected Transaction – Operation Outsourcing Agreement 2022

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

Continuing Connected Transaction – Shandong Port Shipping Group Framework Agreement

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

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

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

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

FOREIGN EXCHANGE RISK MANAGEMENT

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

EMPLOYEES AND REMUNERATION POLICIES

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

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

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

FUTURE PROSPECTS

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

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

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

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

To seize and exploit market opportunities

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

To enhance speedy and precision operations for optimal efficiency

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

To continue efforts in cost control

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

To establish a stronger accountability in the prevention and control, the pandemic

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

USE OF NET PROCEEDS FROM LISTING

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

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

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

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

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

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, no purchase, sale or redemption of the Company’s listed securities were made.

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

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

For a non-resident enterprise shareholder of the Company’s H shares (i.e., any shareholder holding the Company’s H shares in the name of a non-individual shareholder, including but not limited to any holders of H shares registered in the name of HKSCC Nominees Limited, or any other nominee or trustee, or any other organization or group), the Company shall withhold the corporate income tax for the final dividend at the tax rate of 10% on their behalf in accordance with the Corporate Income Tax Law of the PRC and other relevant tax laws, regulations and tax treaties.

For the individual shareholders holding the H shares of the Company, the Company shall withhold and pay the individual income tax for the final dividends on their behalf at a rate of 10% in accordance with Individual Income Tax Law of the PRC, the Notice of the State Administration of Taxation on the Collection and Administration of Individual Income Tax after the Abolition of Document [1993] No. 045 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) and other relevant tax laws, regulations and tax treaties. If otherwise stipulated by other relevant tax laws, regulations and tax treaties, the Company will withhold and pay the individual income tax for the dividends at the rate and with the procedures in accordance with relevant provisions.

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

REVIEW OF RESULTS

The financial results for the year ended 31 December 2021 have been reviewed with no disagreement by the Audit Committee. The financial figures in this announcement of the Company's results for the year ended 31 December 2021 have been agreed by the Company's auditors, Grant Thornton Hong Kong Limited, to the amounts set out in the Company's audited financial statements for the year.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

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

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

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.rzportjurong.com). In accordance with the requirements under the Listing Rules applicable in the Reporting Period, the 2021 annual report containing all information about the Company set out in this preliminary results announcement for the year ended 31 December 2021 will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company, respectively.

By Order of the Board
Rizhao Port Jurong Co., Ltd.
Cui Liang
Chairman

Rizhao, the PRC
31 March 2022

As at the date of this announcement, the Board comprises Mr. Cui Liang as Chairman and non-executive Director; Mr. Zhang Feng as executive Director; Mr. Pay Cher Wee, Mr. Ooi Boon Hoe. Mr. Chen Lei and Mr. Jiang Zidan as non-executive directors; Mr. Zhang Zixue, Mr. Wu Xibin and Mr. Lee Man Tai as independent non-executive Directors.