



青島港國際股份有限公司 QINGDAO PORT INTERNATIONAL CO., LTD.*

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

Stock Code: 06198



Interim Report **2017**



* For identification purpose only

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The following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the board of directors of the Company
“CFS”	container freight station, of which, container freight station at loading ports refers to the location designated by carriers for the receiving of cargo to be loaded into containers by the carrier, while container freight station at discharge or destination ports refers to the location designated by carriers for de-vanning of containerized cargo
“Company”	Qingdao Port International Co., Ltd. (青島港國際股份有限公司), a joint stock company established in the PRC with limited liability on 15 November 2013
“Consolidated Group Companies”	the companies (including their branches) and their subsidiaries which are consolidated into the consolidated financial statements of the Company
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Shares”	the ordinary domestic share(s) of the Company with a nominal value of RMB1.00 each in the share capital of the Company
“Global Offering”	the offer for subscription of the Company’s H shares in 2014
“Group”, “we”, “our” or “us”	the Company and its branches and subsidiaries; when references are made to operational data such as throughput, including joint ventures and an associate of the Company
“Haiwan Liquid Chemical”	Qingdao Haiwan Liquid Chemical Port Operation Co., Ltd. (青島海灣液體化工港務有限公司), a joint venture in which the Company holds 50% equity interests, which is mainly engaged in the business of providing liquid bulk handling and ancillary services
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“New H Shares Placing”	the issue of the 243,000,000 new H shares of the Company by way of placing pursuant to the specific mandate granted by the 2017 first extraordinary general meeting, the 2017 first domestic shareholders’ class meeting and 2017 first H shareholders’ class meeting of the Company dated 10 March 2017

DEFINITIONS

“Prospectus”	the listing document of the Company in relation to the Global Offering dated 26 May 2014
“PRC” or “China”	the People’s Republic of China, and for the purpose of this report, excluding Hong Kong, Macau and Taiwan
“QDOT”	Qingdao Port Dongjiakou Ore Terminal Co., Ltd. (青島港董家口礦石碼頭有限公司), a joint venture in which the Company holds 30% equity interests, which is mainly engaged in the business of providing ore, coal and other cargo handling and ancillary services
“QDP”	Qingdao Port (Group) Co., Ltd. (青島港 (集團) 有限公司), the controlling shareholder of the Company
“Qingdao Finance”	Qingdao Port Finance Co., Ltd. (青島港財務有限責任公司), a subsidiary jointly established by the Company (holding 70% equity interests) and QDP (holding 30% equity interests), which is mainly engaged in the provision of depository services, credit granting services, financial and financing advisory services, credit assurance services and relevant consulting and agency services; trade receivables collection and payment services; internal fund transfer and settlement services formulation of proposals for the corresponding settlement and clearing services and other financial services to QDP and its group companies
“Qingdao Shihua”	Qingdao Shihua Crude Oil Terminal Co., Ltd. (青島實華原油碼頭有限公司), a joint venture in which the Company holds 50% equity interests, which is mainly engaged in the business of providing liquid bulk handling and ancillary services
“Qingwei Container”	Weihai Qingwei Container Terminal Co., Ltd. (威海青威集裝箱碼頭有限公司), a joint venture in which the Company holds 49% equity interests, which is mainly engaged in the business of providing container handling and ancillary services
“QQCT”	Qingdao Qianwan Container Terminal Co., Ltd. (青島前灣集裝箱碼頭有限責任公司), a joint venture in which the Company holds 51% equity interests, which is mainly engaged in the business of providing container handling and ancillary services
“TEU”	twenty-feet equivalent unit, a standard unit of measurement of the volume of a container with a length of 20 feet, a height of eight feet and six inches and a width of eight feet
“West United”	Qingdao Qianwan West Port United Terminal Co., Ltd. (青島前灣西港聯合碼頭有限責任公司), a joint venture in which the Company holds 51% equity interests (but is not consolidated into consolidated financial statements of the Company as the Company does not have control over it), and which is mainly engaged in the business of providing dry bulk cargo and break bulk cargo handling and ancillary services

* The Chinese name(s) of the PRC entities have been translated into English in this interim report for reference only. In the event of any discrepancies between the Chinese names of the PRC entities and their respective English translations, the Chinese version shall prevail.

Following the restructuring by QDP (the controlling shareholder of the Company) the Company was established on 15 November 2013, and was listed on the Main Board of the Hong Kong Stock Exchange on 6 June 2014.

The Group is the primary operator of the Port of Qingdao, and is mainly engaged in the handling of different types of cargoes such as container, metal ore, coal and oil and the provision of ancillary services, logistics and port value-added services, port ancillary services and financial services.

CORPORATE INFORMATION

CHINESE NAME OF THE COMPANY

青島港國際股份有限公司

ENGLISH NAME OF THE COMPANY

Qingdao Port International Co., Ltd.

LEGAL REPRESENTATIVE

Mr. ZHENG Minghui

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

- (1) Headquarters in the PRC:
7 Ganghua Road
City North District, Qingdao
Shandong Province, PRC
- (2) Principal Place of Business in Hong Kong:
36th Floor
Tower Two, Times Square
1 Matheson Street, Causeway Bay
Hong Kong

DATE OF LISTING

6 June 2014

PLACE OF LISTING

Main Board of The Stock Exchange of Hong Kong Limited

ABBREVIATED CHINESE STOCK NAME

青島港

ABBREVIATED ENGLISH STOCK NAME

Qingdao Port

STOCK CODE

06198

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BOARD OF DIRECTORS

(1) Executive Directors

Mr. ZHENG Minghui (*Chairman*)
Mr. JIAO Guangjun (*President*)
Ms. JIANG Chunfeng

(2) Non-executive Directors

Mr. CHENG Xinnong (*Vice Chairman*)
Mr. ZHANG Wei
Mr. MA Baoliang

(3) Independent Non-executive Directors

Mr. WANG Yaping
Mr. CHAU Kwok Keung
Mr. YANG Qiulin

SUPERVISORY COMMITTEE

Mr. FU Xinmin (*Chairman*)
Mr. CHI Dianmou
Ms. XUE Qingxia
Ms. LIU Yuping
Mr. LI Xuxiu
Mr. LIU Dengqing

JOINT COMPANY SECRETARIES

Mr. CHEN Fuxiang
Ms. LAI Siu Kuen

AUTHORISED REPRESENTATIVES

Mr. ZHENG Minghui
Ms. LAI Siu Kuen

SPECIAL COMMITTEES OF BOARD OF DIRECTORS

(1) Strategy and Development Committee

Mr. ZHENG Minghui (*Chairman*)
Mr. CHENG Xinnong
Mr. ZHANG Wei
Mr. JIAO Guangjun
Mr. MA Baoliang
Ms. JIANG Chunfeng
Mr. WANG Yaping

(2) Audit Committee

Mr. CHAU Kwok Keung (*Chairman*)
Mr. MA Baoliang
Mr. YANG Qiulin

(3) Remuneration Committee

Mr. WANG Yaping (*Chairman*)
Mr. CHENG Xinnong
Mr. YANG Qiulin

(4) Nomination Committee

Mr. WANG Yaping (*Chairman*)
Mr. ZHENG Minghui
Mr. YANG Qiulin

H SHARE REGISTRAR

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

LEGAL ADVISERS

(1) As to Hong Kong law

Freshfields Bruckhaus Deringer
11th Floor, Two Exchange Square, Central
Hong Kong

(2) As to PRC law

Jia Yuan Law Offices
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Xicheng District
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PRINCIPAL BANKERS

Bank of Qingdao Co., Ltd.
Bank of Communications Co., Ltd.

MANAGEMENT DISCUSSION AND ANALYSIS

I. INTERNATIONAL AND DOMESTIC SITUATION

1. General Situation

In the first half of 2017, the global economy experienced a moderate recovery and the domestic economy saw stable and positive growth. The gross domestic product (GDP) of China increased by 6.9% as compared to the same period in the previous year. The total export and import trade value of China increased by 15.0% and 25.7% as compared to the same period in the previous year, respectively. *(Statistics source: National Bureau of Statistics of the PRC)*

2. Operation of the Port Industry

With the positive growth in economy and the increase in the import and export trade volume in China, the growth rate of national coastal ports throughput has increased rapidly. In the first half of 2017, the national coastal ports throughput and the container throughput increased by 7.3% and 7.8% as compared to the same period in the previous year, respectively. *(Statistics source: Ministry of Transport of the PRC)*

II. REVIEW OF BUSINESS AND FINANCIAL RESULTS OF THE GROUP

1. Overall Review

The Group maintained its strategic strength as always, continued to deepen and intensify the supply-side reform of port services, steadily developed stevedoring operations as its main business and endeavored in developing modern logistics and implementing the three strategies of “Finance, Internationalization and Internet”, further optimized the profit structure and created new space for development and a diversified and sustainable profit model.

For the six months ended 30 June 2017, the throughput of the Group together with its joint ventures and an associate (without taking into account the respective shareholding percentage the Company has in those joint ventures and an associate) reached 226.64 million tons, representing an increase of 2.3% as compared to the same period in the previous year, among which, the foreign trade throughput reached 174.40 million tons, representing an increase of 5.7% as compared to the same period in the previous year. The container throughput of the Group reached 9.09 million TEUs, representing an increase of 2.6% as compared to the same period in the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

Comparison of Major Operating Indicators

Unit: RMB'000



For the six months ended 30 June 2017, the Group recorded a revenue of RMB4,785 million, representing an increase of RMB663 million, or 16.1%, as compared to the same period in the previous year, mainly due to the increase in the revenue from the logistics and port value-added services, the metal ore, coal and other cargo handling and ancillary services, and the liquid bulk handling and ancillary services segments.

For the six months ended 30 June 2017, the Group recorded a gross profit of RMB1,706 million, representing an increase of RMB326 million, or 23.7%, as compared to the same period in the previous year, mainly due to the increase in gross profit from the logistics and port value-added services and the liquid bulk handling and ancillary services.

For the six months ended 30 June 2017, the share of profit of an associate and joint ventures of the Group amounted to RMB511 million, representing an increase of RMB112 million, or 28.1%, as compared to the same period in the previous year, mainly due to the increase in the investment income from the container handling and ancillary services and liquid bulk handling and ancillary services segments.

For the six months ended 30 June 2017, the Group realized a total profit of RMB2,063 million, representing an increase of RMB508 million, or 32.7%, as compared to the same period in the previous year.

For the six months ended 30 June 2017, the net profit of the Group amounted to RMB1,653 million, representing an increase of RMB400 million, or 31.9% as compared to the same period in the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Segment Review

The business segment results (total profit) of the Group were listed as follows:

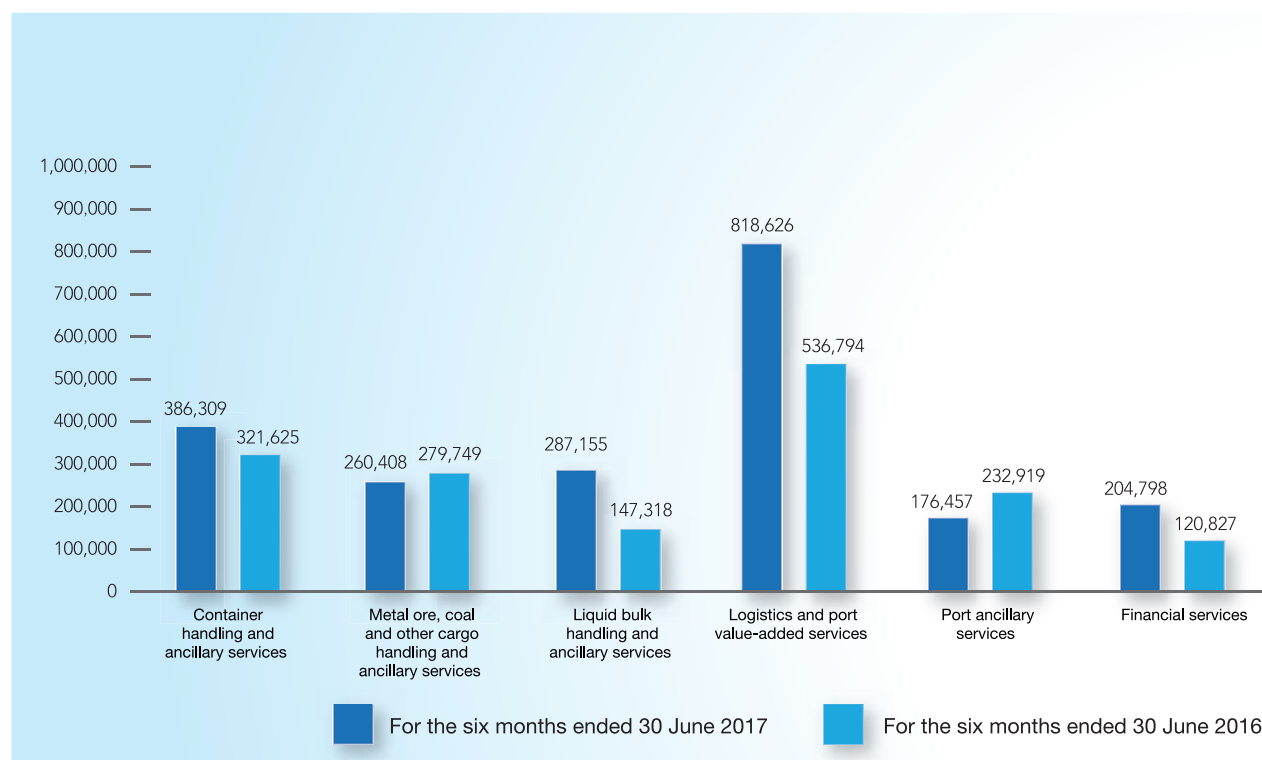
Proportion of Business Segment Results

Unit: RMB'000

Business Segments	For the six months ended 30 June 2017		2016		Change
	Amount	Proportion	Amount	Proportion	
Container handling and ancillary services	386,309	18.1%	321,625	19.6%	20.1%
Metal ore, coal and other cargo handling and ancillary services	260,408	12.2%	279,749	17.1%	-6.9%
Liquid bulk handling and ancillary services	287,155	13.4%	147,318	9.0%	94.9%
Logistics and port value-added services	818,626	38.4%	536,794	32.7%	52.5%
Port ancillary services	176,457	8.3%	232,919	14.2%	-24.2%
Financial services	204,798	9.6%	120,827	7.4%	69.5%
Total results before inter-segment elimination	<u>2,133,753</u>	<u>100.0%</u>	<u>1,639,232</u>	<u>100.0%</u>	<u>30.2%</u>

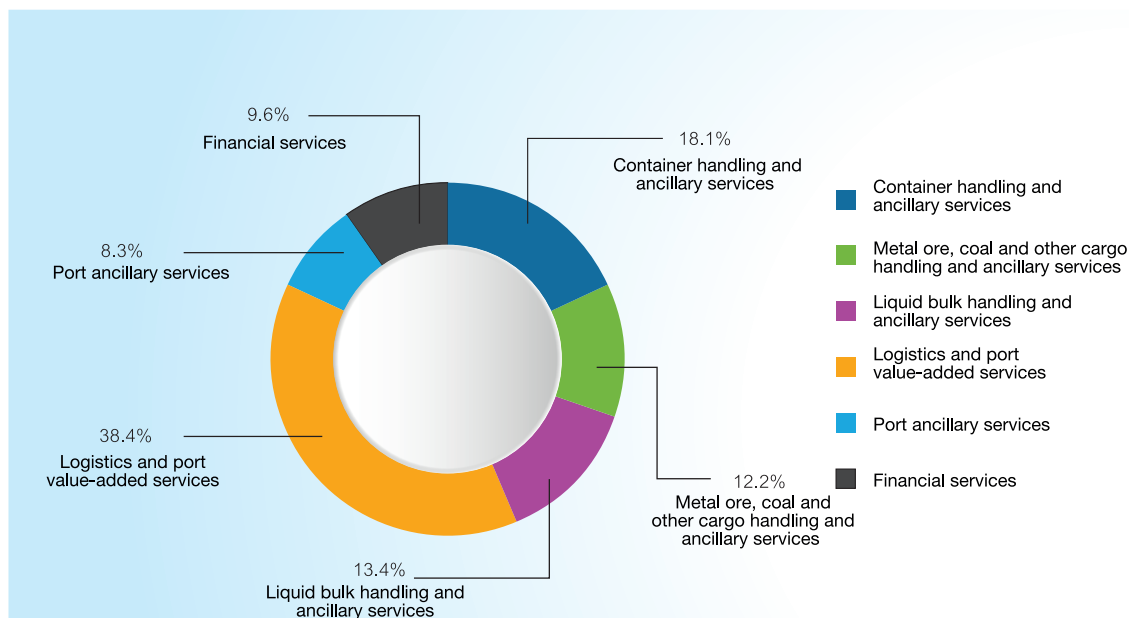
Comparison of Business Segment Results

Unit: RMB'000



MANAGEMENT DISCUSSION AND ANALYSIS

Breakdown of results of each business segment for the six months ended 30 June 2017



Fully leveraging the port resources and scientifically planning the investment structure, the Group has developed into a diversified enterprise group consisting of three fields, i.e. terminal business; logistics business; and financial business, and has gradually built up a diversified development model relying on the main business of stevedoring. The particulars are as follows:

(1) Container handling and ancillary services

Unit: RMB'000

Item	For the six months ended 30 June			
	2017	2016	Amount Changed	Percentage Changed
Consolidated Group Companies				
Revenue	112,040	95,461	16,579	17.4%
Cost of sales	35,529	36,203	-674	-1.9%
Gross profit	76,511	59,258	17,253	29.1%
Profit of Consolidated Group Companies				
	82,045	58,348	23,697	40.6%
Joint Ventures				
Revenue	1,746,494	1,665,235	81,259	4.9%
Cost of sales	589,095	538,957	50,138	9.3%
Share of profit of joint ventures	304,264	263,277	40,987	15.6%
Segment result	386,309	321,625	64,684	20.1%

MANAGEMENT DISCUSSION AND ANALYSIS

Note: Amount of revenue and cost of sales of joint ventures represent the total amount of revenue and cost of sales in the financial information of joint ventures of the Company such as QQCT and Qingwei Container without taking into account the respective shareholding percentages the Company has in those joint ventures. See “Summarized Financial Information of Joint Ventures” for more details on QQCT’s financial information.

For the six months ended 30 June 2017, the container throughput of the Group amounted to 9.09 million TEUs, representing an increase of 2.6% as compared to the same period in the previous year. Focusing on the goal of constructing the “International Hub Port in Northeast Asia”, the Group innovated its marketing model and developed the transshipment channel for the main routes of ports in Northern China. The main breakthroughs achieved for the six months ended 30 June 2017 were as follows:

- (1) The Group further implemented the headquarters strategy for shipping companies, seized opportunities in the reorganization of shipping company alliance, opened 11 container routes and promoted development of the transshipment channel. The transit shipment volume grew by 21% as compared to the same period in the previous year, creating a world-renowned container terminal;
- (2) The Group seized opportunities brought by national strategies, expanded the scope of the sea-rail intermodal transportation system and expanded its presence in inland ports. The Group further increased its number of sea-rail intermodal transportation routes to 32 and achieved an increase of 48% in the container volume of the sea-rail intermodal transportation as compared to the same period in the previous year, further strengthening its influence over the hinterland market; and
- (3) The fully automatic container terminal was put into trial operation in May 2017, which further enhanced the capacity and efficiency of the Company’s container terminals and expanded the space for the continuous development of the container business.

For the six months ended 30 June 2017, the segment result of container handling and ancillary services was RMB386 million, representing an increase of 20.1% as compared to the same period in the previous year. Such increase was mainly due to the increase in investment profit resulting from an increase of 20% equity interests in the Company’s shareholding in QQCT.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Unit: RMB'000

Item	For the six months ended 30 June		Amount Changed	Percentage Changed
	2017	2016		
Consolidated Group Companies				
Revenue	1,575,425	1,364,351	211,074	15.5%
Cost of sales	1,206,616	936,463	270,153	28.8%
Gross profit	368,809	427,888	-59,079	-13.8%
Profit of Consolidated Group Companies				
	240,394	272,267	-31,873	-11.7%
Joint ventures				
Revenue	731,657	631,627	100,030	15.8%
Cost of sales	530,874	471,342	59,532	12.6%
Share of profit of joint ventures	20,014	7,482	12,532	167.5%
Segment result	260,408	279,749	-19,341	-6.9%

Note: Amount of revenue and cost of sales of joint ventures represent the total amount of revenue and cost of sales in the financial information of joint ventures of the Company such as QDOT and West United without taking into account the respective shareholding percentages the Company has in those joint ventures.

For the six months ended 30 June 2017, the throughput of metal ore, coal and other cargo of the Group amounted to 93.69 million tons, representing an increase of 2.4% as compared to the same period in the previous year. Firmly occupying the dominant position in the age of large-sized vessel, the Group created a development mode to promote the concentration of cargo sources. The main breakthroughs achieved for the six months ended 30 June 2017 were as follows:

- (1) The Group endeavored in establishing the largest national “Ore Supermarket” and the mix ore brand of “Qingdao Port Standard Ore” with an increase of 187% in mix ore business as compared to the same period in the prior year, becoming the largest mix ore center among the coastal ports in China;
- (2) In respect of coal, the Group seized market opportunities and exerted its advantages in large yards to attract new clients. The business volume increased by 24.6% as compared to the same period of in the previous year; and
- (3) Through expanding the “door-to-door” comprehensive logistics services, the Group established a “three in one” new cooperation mode of “comprehensive logistics services, trade operation and financing”, and developed new clients in break bulk cargo, successfully achieving new development in respect of grain, pulp and wood.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2017, the revenue of metal ore, coal and other cargo handling and ancillary services was RMB1,575 million, representing an increase of RMB211 million as compared to the same period in the previous year. Such increase was mainly due to an increased revenue of RMB225 million (while the cost also increased) which was resulted from the “door-to-door” comprehensive logistics services business of “stevedoring and transportation”. The gross profit amounted to RMB369 million, representing a decrease by RMB59 million as compared to the same period in the previous year, which was mainly due to the decrease in the proportion of high-rate cargos such as chemical fertilizers and the not fully released capacity of the break bulk cargo terminals in Dongjiakou in incubation period as well as the increased depreciation and amortization costs.

(3) Liquid bulk handling and ancillary services

Unit: RMB'000

Item	For the six months ended 30 June			
	2017	2016	Amount Changed	Percentage Changed
Consolidated Group Companies				
Revenue	230,833	55,816	175,017	313.6%
Cost of sales	54,963	8,466	46,497	549.2%
Gross profit	175,870	47,350	128,520	271.4%
Profit of Consolidated Group Companies				
	150,289	46,305	103,984	224.6%
Joint Ventures				
Revenue	775,922	501,319	274,603	54.8%
Cost of sales	378,130	202,074	176,056	87.1%
Share of profit of joint ventures	136,866	101,013	35,853	35.5%
Segment result	287,155	147,318	139,837	94.9%

Note: Amount of revenue and cost of sales of joint ventures represent the total amount of revenue and cost of sales in the financial information of joint ventures of the Company such as Qingdao Shihua and Haiwan Liquid Chemical without taking into account the shareholding percentage of the Company has in those joint ventures. See “Summarized Financial Information of Joint Ventures” for more details on Qingdao Shihua’s financial information.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2017, the throughput of liquid bulk of the Group amounted to 39.22 million tons, representing an increase of 16.2% as compared to the same period in the previous year. The Group seized the market opportunity of rapid increase in imported crude oil, maximized the terminal stevedoring capacity and crude oil tank storage ability, and achieved the following breakthroughs in business and operational results:

- (1) The newly-established crude oil tank in Dongjiakou Port Area rapidly achieved the production target. The Group built the linkage between terminals and crude oil tanks and provided “volume and price guarantee” policy for clients, guaranteeing stevedoring through dredging, so as to release the terminal capacity. The unloading volume of imported crude oil in Dongjiakou Port Area amounted four times as much as that of the same period in the previous year; and
- (2) The Group enhanced the production organization with high quality and efficient discharging and loading of large-sized vessels, and accelerated the efficiency of pipeline, railway, highway and waterway, of which the whole distribution volume increased by 13.6% as compared to the same period in the previous year.

For the six months ended 30 June 2017, the revenue of liquid bulk handling and ancillary services was RMB231 million, representing an increase of 313.6% as compared to the same period in the previous year, which was mainly due to an increased storage revenue from the newly established crude oil tank storage in Dongjiakou Port Area. The segment result was RMB287 million, representing an increase of 94.9% as compared to the same period in the previous year. Such increase was mainly due to an increase of stevedoring and storage volume for the liquid bulk, and the increase in the proportion of high-rate cargos.

MANAGEMENT DISCUSSION AND ANALYSIS

(4) Logistics and port value-added services

Unit: RMB'000

Item	For the six months ended 30 June		Amount Changed	Percentage Changed
	2017	2016		
Consolidated Group Companies				
Revenue	2,002,515	1,597,728	404,787	25.3%
Cost of sales	1,182,027	1,017,804	164,223	16.1%
Gross profit	820,488	579,924	240,564	41.5%
Profit of Consolidated Group Companies				
	769,268	509,939	259,329	50.9%
Joint ventures and an associate				
Revenue	1,089,702	369,408	720,294	195.0%
Cost of sales	929,925	261,162	668,763	256.1%
Share of profit of joint ventures and an associate				
	49,358	26,855	22,503	83.8%
Segment result	818,626	536,794	281,832	52.5%

Note: Amount of revenue and cost of sales of joint ventures and an associate represent the total amount of revenue and cost of sales in the financial information of joint ventures and the associate of the Company providing logistics and port value-added services, without taking into account the respective shareholding percentages the Company has in those joint ventures and the associate.

The Group leveraged the port as hub and center for the logistics chain, integrated the resources from upstream and downstream industries and developed a new mode of whole-process logistics consisting of port, CFS, agency, transport fleets and shipping; and developing mode of comprehensive whole-process logistics vendor has been preliminarily established. The main breakthroughs achieved for the six months ended 30 June 2017 were as follows:

- (1) The strong alliance in CFS and storage business created synergic effect and substantially sharpened the competitiveness of the Group. The handling container volume in import and export increased by 56% as compared to the same period in the previous year, and the market share increased by 8 percentage points;
- (2) Agency service reinforced whole-process marketing and brand marketing. The Group obtained agency rights of 48 shipping routes in container shipping agency business with doubled container shipping agency volume of the Consolidated Group Companies as compared to the same period in the previous year. Leveraging on the synergy of the stevedoring and freight forwarding, the volume of the freight forwarding of the Consolidated Group Companies doubled as compared to the same period in the previous year;
- (3) The transportation business optimized online operation process in terminals and CFS with an increase of 41% in the container transportation volume as compared to the same period in the prior year; and
- (4) While maintaining the traditional businesses' increment, the Group explored the market neighboring the port area, creating a new profit engineer.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2017, the revenue from logistics and port value-added services business reached RMB2,003 million, representing an increase of 25.3% as compared to the same period in the previous year, which mainly benefited from the continuous growth of business volume. The segment results reached RMB819 million, representing an increase of 52.5% as compared to the same period in the previous year, which was mainly due to the increase in profit in CFS and storage, agency and towing business.

(5) Port ancillary services

Unit: RMB'000

Item	For the six months ended 30 June			
	2017	2016	Amount Changed	Percentage Changed
Consolidated Group Companies				
Revenue	852,073	998,826	-146,753	-14.7%
Cost of sales	599,637	743,247	-143,610	-19.3%
Gross profit	252,436	255,579	-3,143	-1.2%
Profit of Consolidated				
Group Companies	176,457	232,919	-56,462	-24.2%
Segment result	176,457	232,919	-56,462	-24.2%

For the six months ended 30 June 2017, the revenue from port ancillary services amounted to RMB852 million, representing a decrease of RMB147 million or 14.7% as compared to the same period in the previous year, mainly due to the decreases in the project construction business volume and the sales volume of construction materials; the segment results amounted to RMB176 million, representing a decrease of RMB56 million, or 24.2%, as compared to the same period in the previous year, which mainly was due to the profit from the one-off disposal of investment real estate and sales of stock real estate by the Group during the same period in the previous year amounting to RMB53 million.

MANAGEMENT DISCUSSION AND ANALYSIS

(6) Financial services

Unit: RMB'000

Item	For the six months ended 30 June		Amount Changed	Percentage Changed
	2017	2016		
Consolidated Group Companies				
Revenue	217,927	146,974	70,953	48.3%
Cost of sales	39,976	21,181	18,795	88.7%
Gross profit	177,951	125,793	52,158	41.5%
Profit of Consolidated Group Companies				
	204,254	120,827	83,427	69.0%
Joint ventures and an associate				
Revenue	69,882	—	69,882	N/A
Cost of sales	61,824	—	61,824	N/A
Share of profit of joint ventures and an associate				
	544	—	544	N/A
Segment result	204,798	120,827	83,971	69.5%

The Group deepened its financial strategy, regarded the integrative development model of “Industry Plus Finance” as the main line and vigorously innovated its business model with diversified business qualifications. For the six months ended 30 June 2017, Qingdao Finance not only met the financing demand of its members but also realized gains from its funds, sped up the sale of foreign exchange business promotion and obtained entry qualifications to get access to interbank lending market and bond market, which further expanded its business scope.

For the six months ended 30 June 2017, the segment result of financial services amounted to RMB205 million, representing an increase of 69.5% compared to the same period in the previous year, which was mainly due to the enlarged deposit scale resulting in the increase of profit in interbank deposit and loan business.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Financial Position Analysis

Unit: RMB'000

Item	As at	As at	Amount Changed	Percentage Changed
	30 June 2017	31 December 2016		
Cash at bank and on hand	12,450,045	8,100,294	4,349,751	53.7%
Long-term receivables	3,404,862	3,484,534	-79,672	-2.3%
Long-term equity investments	8,115,520	5,139,040	2,976,480	57.9%
Fixed assets	11,652,805	11,684,983	-32,178	-0.3%
Construction in progress	3,466,329	2,172,757	1,293,572	59.5%
Other payables	10,106,136	9,895,856	210,280	2.1%
Bonds payable	3,500,000	3,500,000	—	—

As at 30 June 2017, the Group's cash at bank and on hand increased by RMB4,350 million, or 53.7% as compared to the beginning of this year, mainly due to the increase from operating activities amounting to RMB819 million, the increase from investing activities amounting to RMB808 million, the increase from financing activities amounting to RMB4,209 million, and the decrease of restricted funds such as deposits with maturity term of over three months amounting to RMB1,470 million.

As at 30 June 2017, the Group's long-term receivables decreased by RMB80 million, or 2.3%, as compared to the beginning of this year, due to the decrease in loans advanced to the joint ventures which would mature after one year.

As at 30 June 2017, the Group's long-term equity investments increased by RMB2,976 million, or 57.9%, as compared to the beginning of this year, mainly due to the increase in the investment of RMB3,199 million resulting from the acquisition of the 20% equity interests in QQCT by the Company.

As at 30 June 2017, the Group's fixed assets decreased by RMB32 million as compared to the beginning of the year, mainly due to the increase of fixed assets of RMB177 million converted from construction in progress projects reaching prescribed utilizable status including break bulk cargo berth in Dongjiakou Port Area, an increase of RMB70 million in assets purchase, such as equipment, and the provision for depreciation for an amount of RMB277 million in the reporting period.

As at 30 June 2017, the Group's construction in progress increased by RMB1,294 million, or 59.5%, as compared to the beginning of this year, mainly due to the increase of RMB1,169 million from the Dongjiakou Port-Weifang-Central and Northern Shandong Oil Pipeline Construction Project and other projects, the increase of RMB301 million from the acquisition of the equity interests in Vopak Logistics (Qingdao) Co., Ltd. and the decrease of RMB177 million transferred to fixed assets from the projects reaching prescribed utilizable status.

As at 30 June 2017, the Group's other payables increased by RMB210 million, or 2.1%, as compared to the beginning of this year, mainly due to an increase in absorbed deposits in Qingdao Finance amounting to RMB844 million, a decrease in payables of engineering equipment procurement of the Group amounting to RMB416 million, a decrease of RMB418 million in assets purchase expenses payable to QDP in respect of the reorganization and the establishment of the Company and an increase of RMB151 million in the payable equity acquisition expense.

MANAGEMENT DISCUSSION AND ANALYSIS

4. Cash Flow Analysis

For the six months ended 30 June 2017, the Group's net cash inflow amounted to RMB5,820 million, among which:

- (1) net cash inflow from operating activities amounted to RMB819 million, which mainly derived from the operating profit of the Consolidated Group Companies;
- (2) net cash inflow from investing activities amounted to RMB808 million, mainly comprising of cash inflow of RMB1,701 million arising from recovering the fixed term deposit with an initial term over three months and wealth management products which became due; cash inflow of RMB515 million through the receipt of dividends from joint ventures and an associate; cash inflow of RMB223 million arising from receipt of interest of loans and fixed term deposit with an initial term over three months; net cash outflow of RMB366 million for loans or financial lease advanced to members, and cash outflow of RMB1,172 million for purchasing and construction of fixed assets; and
- (3) net cash inflow from financing activities amounted to RMB4,209 million, mainly due to cash inflow of RMB2,600 million of proceeds raised from the issue of the Domestic Shares and RMB912 million of proceeds raised from the New H Shares Placing, cash inflow of RMB301 million from discounts of traded acceptance notes before their maturity; cash inflow of RMB844 million in absorbing deposits by Qingdao Finance; cash inflow of RMB103 million from equity investment by the minority shareholders of the Consolidated Group Companies; cash outflow of RMB418 million for the assets purchase expenses paid to QDP; cash outflow of RMB228 million for paying the debt principals and interests; and cash outflow of RMB40 million for paying the dividends to the minority shareholders of the Consolidated Group Companies.

In order to facilitate the understanding of shareholders and investors, after eliminating the impact of Qingdao Finance's and the Group's purchase of wealth management products and fixed term deposits with a initial term over three months on the cash flow, the net cash inflow of the Group amounted to RMB3,804 million.

5. Liquidity and Financial Resources

As at 30 June 2017, the Group's cash at bank and on hand amounted to RMB12,450 million and wealth management products amounted to RMB810 million. After eliminating the impact of Qingdao Finance, the self-owned cash at bank and on hand and wealth management products of the Group amounted to RMB6,472 million, among which, cash amounted to RMB5,773 million. After eliminating the impact of Qingdao Finance, the Group's total interest-bearing bank borrowings amounted to RMB4,044 million, among which, debt at fixed interest rates amounted to RMB3,892 million and debt at floating interest rates amounted to RMB152 million.

As at 30 June 2017, after eliminating the impact of Qingdao Finance, the amount of the Group's cash at bank and on hand exceeded its interest-bearing debt.

MANAGEMENT DISCUSSION AND ANALYSIS

6. Capital Structure

As at 30 June 2017, the total equity of the Group amounted to RMB23,315 million, representing an increase of RMB7,833 million as compared to the beginning of this year, among which, the increase of equity interest attributable to the shareholders of the Company was mainly due to the increase of RMB5,798 million from the issuance of Domestic Shares to Shanghai China Shipping Terminal Development Co., Ltd.; the increase of RMB912 million from the New H Shares Placing; the increase of RMB1,550 million from the operating profit; the increase of RMB183 million from supplemental retirement benefits through actuarial gains; and the decrease of RMB788 million from the declaration of final dividend of the year 2016 by the Company. The equity interest of minority shareholders increased by RMB166 million.

As at 30 June 2017, the Company had 6,036,724,000 issued shares, of which 1,099,025,000 shares were H shares. The total market capitalization and H share market capitalization of the Company was HKD27,105 million and HKD4,935 million, respectively (calculated based on the closing price of the Company as at 30 June 2017).

7. Interest Rate and Exchange Rates Risks

As at 30 June 2017, cash at bank and on hand, receivables, payables and external bank borrowings at floating rates amounted to RMB5,259 million, RMB2,225 million, RMB7,574 million and RMB152 million, respectively. The Group assessed the interest rate risk and anticipated that interest rate risk would have no material impact on the Group.

The Group's business activities are mainly conducted in the PRC and settled in RMB. As a result, changes in exchange rates do not have material effect on the Group.

The Group will continue to closely monitor interest rate and exchange rate risks. The Group did not enter into any hedging arrangements to hedge against exposures to interest rate and exchange rate risks for the six months ended 30 June 2017.

8. Financial Indicators

Indicators	For the six months ended 30 June		
	2017	2016	Change (+/-)
Return on total assets	3.8%	3.7%	+0.1 percentage point
Return on equity	8.5%	9.0%	-0.5 percentage point
Current ratio	1.25	1.12	+0.13
Quick ratio	1.22	1.08	+0.14
Account receivables turnover	3.43	3.25	+0.18
Account receivables turnover days	53 days	56 days	-3 days

For six months ended 30 June 2017, return rate on total assets of the Group was 3.8%, representing an increase of 0.1 percentage point as compared to the same period in the previous year, and return rate on equity of the Group was 8.5%, representing a decrease of 0.5 percentage point over same period in the previous years, mainly due to no corresponding returns from absorbing the new shareholder's capital investment. If the net assets eliminated the equity investment funds absorbed during the reporting period while the net profit eliminated the increased gains in investment due to the change in shareholding in QQCT, the return on equity would be 10%, which would be 1 percentage point higher than that for the same period in the previous year. The account receivables turnover ratio of the Group was 3.43, representing an increase of 0.18 as compared to the same period in the previous year, and the account receivables turnover days was 53 days, representing a decrease of 3 days as compared to the same period in the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

Summarized Financial Information of Joint Ventures

Set out below is the summarized financial information of joint ventures which is accounted through equity method, and are material to the Group in the view of the Directors.

Unit: RMB'000

	QQCT		Qingdao Shihua	
	For the six months ended 30 June		For the six months ended 30 June	
	2017	2016	2017	2016
Revenue	1,670,616	1,596,121	767,636	499,956
Cost of sales	(549,124)	(500,731)	(369,322)	(201,149)
Profit before income tax	1,104,823	1,088,747	370,982	273,002
Income tax expenses	(275,501)	(258,888)	(93,615)	(68,335)
Net profit for the period	829,323	829,860	277,367	204,667
Attributable to non-controlling interests	7,582	(8,888)	—	—
Net profit attributable to the shareholders of joint ventures	821,741	820,972	277,367	204,667
Other distribution	(1,215)	(957)	—	—
Shareholding percentage in joint ventures held by the Group	31%/51%	31%	50%	50%
Share of profit by the Group before elimination	293,888	254,205	138,683	102,333
Unrealised profit	—	—	(998)	(1,010)
Share of profit by the Group accounted for using the equity method	293,888	254,205	137,685	101,323

Note: The Group's shareholding percentage in QQCT was 31% on or before 21 May 2017, and is 51% on or after 22 May 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

The Influence of Qingdao Finance to the Consolidated Statements of the Group

To facilitate the understanding of shareholders and investors, set out below is a brief summary of the influence on the consolidated balance sheet and consolidated income statement of the Group caused by the deposit and credit granting business of Qingdao Finance.

	Unit: RMB'000	
	30 June 2017	31 December 2016
Consolidated balance sheet		
Cash at bank and on hand	6,017,509	4,623,578
Interests receivable	36,955	23,852
Other receivables	510,637	239,398
Other current assets	700,000	800,000
Current portion of non-current assets	490,439	264,586
Long-term receivables	1,440,181	1,568,400
Other payables	7,809,676	6,981,474
Interests payable	47,211	30,626
General risk reserve	134,122	134,122

Unit: RMB'000

	For the six months ended 30 June	
	2017	2016
Consolidated income statement		
Finance expenses — interest income	205,786	137,237
Finance expenses — interest expenses	(39,511)	(20,759)

III. SIGNIFICANT CAPITAL INVESTMENT

For the six months ended 30 June 2017, the Group had significant capital investments of RMB1,252 million, mainly consisting of the investments in projects including Dongjiakou Port-Weifang-Central and Northern Shandong Oil Pipeline Construction (Phase I) Project and the equipment investments. As at 30 June 2017, the above-mentioned project has not been put into operation.

IV. SIGNIFICANT ACQUISITION AND DISPOSAL OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

During the six months ended 30 June 2017, the Company acquired 20% equity interests in QQCT from Shanghai China Shipping Terminal Development Co., Ltd., a wholly-owned subsidiary of COSCO SHIPPING Ports Limited. Please refer to the announcements of the Company dated 20 January 2017 and 22 May 2017 for detailed information.

MANAGEMENT DISCUSSION AND ANALYSIS

V. MORTGAGE AND PLEDGE OF ASSETS

As at 30 June 2017, none of the Group's assets was mortgaged or pledged.

VI. CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any significant contingent liabilities.

VII. EMPLOYEES

As at 30 June 2017, the Company had 6,167 employees while its subsidiaries and principal joint ventures had 5,666 employees. The Group implements a “two match” principle to match the growth of employees' income with the growth of the Company's results and match the increase in labor remuneration with the increase in production rate. The Company links the remunerations of employees with the results of the Company, and the employees' remunerations or its units are adjusted annually in accordance with working performance of the employees, human resources market condition and the economic environment. The Company implements a basic salary and a performance-based salary system for its senior management. 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 positions.

VIII. DESCRIPTION OF OTHER MATTERS

Dagang Port Area is planned to be transformed and upgraded into an international home port for cruise liners, therefore, the operations at Dagang Port Area will gradually be relocated to Dongjiakou Port Area and Qianwan Port Area. As at 30 June 2017, the construction of international home port for cruise liners has no effect on the operation of Dagang Port Area.

The government of Qingdao Economic and Technological Development Zone is in the process of adopting a new urban planning scheme that may relocate the port operations in Huangdao Oil Port Area and operations of certain clients around Huangdao Oil Port Area to Dongjiakou Port Area. As at 30 June 2017, the Group did not receive any relocation plan or related notice, and did not obtain any information that surrounding clients and businesses were relocated to Dongjiakou Port Area, hence the operation of Huangdao Oil Port Area has not been affected.

IX. SUBSEQUENT EVENTS

After 30 June 2017, the Company entered into a share transfer agreement with Qingdao Port Financial Holdings Limited, pursuant to which, the Company disposed the 100% equity interests in Qingdao Port Assets Management Co., Ltd. to Qingdao Port Financial Holdings Limited at the consideration of RMB177,088,323.85. Please refer to the announcement of the Company dated 18 July 2017 for detailed information.

X. OUTLOOK FOR THE SECOND HALF OF 2017

In the second half of 2017, with an anticipative improving development of real economy and expanding internal and external demand, the Company will actively seize the opportunity to lead the innovation, expand the market space, extend the whole-process logistics, deepen the integration of industry and finance and promote the increase in both scale and efficiency to maintain a healthy and sustainable development. As such, the Group will put emphasis on the following seven aspects:

1. To expand the market space for stevedoring as our core business

The Group will track the trends, formulate precise strategies oriented on the short board and innovate the market. In respect of the container business, focusing on the routes and transit shipment, the Group will strengthen the headquarter marketing for shipping companies, attract shipping alliance to add new routes, establish the transit channel for the main routes of the ports in Northern China, maintain their position as the international hub port in Northeast Asia and keep a steady growth. As for the dry and break bulk cargo, the Group will expand and strengthen the ore mixing business, construct a distribution base, expand the container transportation volume of grain and break bulk cargo, improve various short-board cargo types including coke and wood and accelerate the commencement of the grain and oil operation and other port-neighboring industries in Dongjiakou Port Area, so as to achieve new growth in quantity and efficiency. In respect of the liquid bulk business, the Group will release the production capacity of the Dongjiakou Port-Weifang-Central and Northern Shandong Oil Pipeline Construction (Phase I) Project and the auxiliary tank area in Weifang, and strengthen the resources linkage between Huangdao and Dongjiakou Port Area, thereby reducing the cost of integrated logistics for customers and expanding Shandong refineries' market share.

2. To enhance the quality and energy level of the whole logistics

The Group will optimize the “door to door” one-stop whole-process logistics program to promote the business model of “a single package to the end”, strengthen the competitive advantages and accelerate innovation and development. The Group will promote the operation of inland ports such as Xi'an and Urumqi and regional marketing centers inside the province, strengthen the functional allocation of resources such as port shipping lines and fleets and spare no effort to expand the inland market. Through strengthening the sea-rail intermodal transportation route incremental research, promoting the normalization of regular trains inside the province and stabilizing the cargo resources outside the province and across the border, the Group will strive to maintain their position as number one of the container volume under the sea-rail intermodal transportation nationwide. The Group will also implement customized services including CFS, freight logistics, whole-process agency and bonded warehousing, construct service brand in the Port of Qingdao and expand the scale of business.

3. To promote the steady growth of the financial sector

The Group will firmly manage the financial risks, deepen the integration of industry and finance, allocate financial services along the port upstream and downstream industries that the Group are familiar with and with controllable cargo rights and risks, expand fund management, credit and other traditional business, promote “bank-port connection” business and extend the industry financial market investment, foreign currency funds management and other new business to strengthen the port financial ecology.

MANAGEMENT DISCUSSION AND ANALYSIS

4. To facilitate the international development of the port layout

The Group will steadily promote the management and capital output and speed up the implementation of key projects. The Group will stabilize the operation and management of the 300,000-ton crude oil terminal in Myanmar Mude Island to create the Qingdao port management brand with demonstrative effect. By deepening the multi-field cooperation with strategic partners, the Group will steadily promote the joint venture operation of the Vado Ligure Port in Italy and accelerate the new projects' implementation in overseas port terminal new projects to expand the international development space.

5. To continuously strengthen the momentum of transformation and development

The Group will speed up the construction of intelligent ports through the stable operation of automatic container terminals and the continuous optimization of key technologies so as to create a replicable and promotable Qingdao model in the world automatic container terminal construction operations. The Group will also accelerate the operation of e-commerce logistics business, promote the online transformation of port offline business, upgrade dry and break bulk cargo production system, promote the unmanned and intelligent warehouse management of container tallying and square, and enhance the port transformation of the development of new kinetic energy.

6. To speed up the release of terminal facilities capacity

The Group will vigorously promote the construction of key projects and enhance the port development potential. The Dongjiakou Port-Weifang-Central and Northern Shandong Oil Pipeline (Phase II) Project and the construction of ancillary oil tank in Guangrao Tank Area will be accelerated. The construction of Dongjiakou untwining-port railway will be sped up, aiming at achieving the simultaneous completion together with Qinglian railway in 2018, which will open up the distribution channels both above ground and underground, attract cargo resources to gather together and release the terminal capacity of the Dongjiakou port.

7. To comprehensively promote the enhancement of corporate management

In order to improve the governance system fully in line with the listing rules of "A+H" share, strengthen the cost and overall budget management based on the analysis of key performance indicators, improve the multi-level and all-rounded risk prevention and control mechanism, and innovate to strengthen the construction of a green low-carbon port, the Group will deepen the reform of human resources, optimize staff allocation, innovate the system mechanism, continue the implementation of staff training, tap the potential and stimulate vitality to a strong and reliable human resources guarantee for the healthy and sustainable development of the port.

I. CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders of the Company and to enhance corporate value and accountability.

The Company has complied with all code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules for the six months ended 30 June 2017.

II. COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code of Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by Directors and supervisors of the Company. Specific enquiry has been made to all the Directors and supervisors of the Company and each of the Directors and supervisors of the Company has confirmed that he/she has complied with the Model Code throughout the six months ended 30 June 2017.

III. DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any Directors or supervisors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors and supervisors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate for the year ended 30 June 2017.

IV. CHANGES IN DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INFORMATION

Mr. ZHANG Qingcai, a non-executive Director, has ceased to be as a Director and a member of the Strategy and Development Committee and the Audit Committee of the Board with effect from 28 June 2017 due to other work commitments. The Company has appointed Mr. ZHANG Wei as a non-executive Director at the annual general meeting of the Company held on 28 June 2017; and has appointed Mr. ZHANG Wei as a member of the Strategy and Development Committee of the Board and Mr. MA Baoliang as a member of the Audit Committee of the Board at the Board meeting held on 28 June 2017. For further details, please refer to the announcement of the Company dated 28 June 2017.

On the same day, the Company further adjusted the composition of the Board Committees. For further details, please refer to the announcement of the Company dated 28 June 2017.

Save as disclosed herein, there had been no changes to the Directors', supervisors' and chief executive's information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the period from 1 January 2017 to 30 June 2017.

V. REVIEW OF FINANCIAL STATEMENTS BY THE AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim results and interim report of the Company for the six months ended 30 June 2017.

VI. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES BY THE COMPANY

No purchase, sale and redemption of any listed securities of the Company were made by the Company or any of its subsidiaries for the six months ended 30 June 2017.

OTHER INFORMATION

VII. USE OF NET PROCEEDS FROM THE LISTING

The net proceeds from the Global Offering were approximately RMB2,198 million. Considering the actual business development and operation of the Group, the Company has changed the investment projects which the remaining net proceeds were originally proposed to fund. Please refer to the announcement of the Company dated 28 December 2016 for detailed information. As at 30 June 2017, RMB1,514 million had been utilized towards the investment projects and RMB270 million had been used to supplement our general working capital as disclosed in the Prospectus and the announcement of the Company dated 28 December 2016. The Company used the net proceeds in the way exactly as disclosed in the Prospectus and the announcement dated 28 December 2016.

The net proceeds from the New H Shares Placing of the Company were approximately RMB912 million, which will be used in the way as disclosed in the announcement of the Company dated 20 January 2017. As at 30 June 2017, no proceeds had been utilized towards the investment projects.

The net proceeds from the Company's issuance of Domestic Shares to Shanghai China Shipping Terminal Development Co., Ltd. were approximately RMB2,600 million. As at 30 June 2017, RMB501 million had been utilized towards the investment projects and utilized in the way as disclosed in the announcement of the Company dated 20 January 2017.

VIII. DIVIDENDS

The Board did not recommend the payment of any dividend for the six months ended 30 June 2017.

IX. INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

So far as the directors are aware, as at 30 June 2017, none of the Directors, supervisors or chief executive of the Company has any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), (i) which will be required, pursuant to Section 352 of the SFO, to be recorded in the register kept by the Company, or (ii) which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

X. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2017, so far as the directors are aware, the following persons (other than the Directors, supervisors and chief executive of the Company) will be taken or deemed to have interests and/or short positions in the shares or underlying shares of the Company which would be required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Name	Class of Shares	Capacity/Nature of interest	Number of shares held ⁽¹⁾	Approximate percentage of shareholding in the registered capital of the Company	Approximate percentage of shareholding in the total number of issued domestic shares of the Company	Approximate percentage of shareholding in the total number of issued H shares of the Company
QDP	Domestic shares	Beneficial owner ⁽²⁾	3,522,179,000 (L)	58.35%	71.33%	—
COSCO SHIPPING Ports Limited	Domestic shares	Interest in a controlled corporation ⁽³⁾	1,111,520,000 (L)	18.41%	22.51%	—
China COSCO (Hong Kong) Limited	Domestic shares	Interest in a controlled corporation ⁽³⁾	1,111,520,000 (L)	18.41%	22.51%	—
COSCO SHIPPING Holdings Co., Ltd.	Domestic shares	Interest in a controlled corporation ⁽³⁾	1,111,520,000 (L)	18.41%	22.51%	—
China Ocean Shipping (Group) Company	Domestic shares	Interest in a controlled corporation ⁽⁴⁾	1,207,520,000 (L)	20.00%	24.46%	—
China COSCO Shipping Corporation Limited	Domestic shares	Interest in a controlled corporation ⁽⁴⁾	1,207,520,000 (L)	20.00%	24.46%	—
Value Partners Group Limited	H shares	Interest in a controlled corporation ⁽⁵⁾	91,769,000 (L)	1.52%	—	8.35%
Value Partners High-Dividend Stocks Fund	H shares	Beneficial owner	85,490,000 (L)	1.42%	—	7.78%
中國人壽保險(集團)公司	H shares	Beneficial owner	180,000,000 (L)	2.98%	—	16.38%

Notes:

- (1) The letter “L” denotes long position in such securities.
- (2) QDP is wholly owned by the State-owned Assets Supervision and Administration Commission of Qingdao Municipality. The Company was informed that as at 30 June 2017, QDP held 6,037,000 H shares of the Company, representing approximately 0.55% of the total number of issued H shares of the Company. According to the SFO, the shareholders of the Company only need to submit the disclosure of interests form when certain conditions are reached. As at the date of holding the H shares of the Company by QDP and as at the date of this report, the Company had sufficient public float and the issued shares of the Company held by the public is no less than 16.62%, and is therefore in compliance with the Listing Rules.

OTHER INFORMATION

- (3) 96,000,000 domestic shares and 1,015,520,000 domestic shares of the Company are directly held by China Shipping Terminal Development Co., Ltd. and Shanghai China Shipping Terminal Development Co., Ltd., respectively. Shanghai China Shipping Terminal Development Co., Ltd. is wholly owned by China Shipping Terminal Development Co., Ltd.. China Shipping Terminal Development Co., Ltd. is wholly owned by China Shipping Ports Development Co., Limited, which is wholly owned by COSCO SHIPPING Ports Limited. COSCO SHIPPING Ports Limited is 46.72% owned by China COSCO (Hong Kong) Limited, which is wholly owned by COSCO SHIPPING Holdings Co., Ltd.. COSCO SHIPPING Holdings Co., Ltd. is 45.47% owned by China Ocean Shipping (Group) Company, which is wholly owned by China COSCO Shipping Corporation Limited. As such, each of COSCO SHIPPING Ports Limited, China COSCO (Hong Kong) Limited, and COSCO SHIPPING Holdings Co., Ltd. is deemed to be interested in 1,111,520,000 domestic shares of the Company.
- (4) In addition to the 96,000,000 domestic shares and 1,015,520,000 domestic shares of the Company directly held by China Shipping Terminal Development Co., Ltd. and Shanghai China Shipping Terminal Development Co., Ltd. respectively, there are 96,000,000 domestic shares of the Company directly held by Qingdao Ocean Shipping Co., Ltd., which is wholly owned by China COSCO Bulk Shipping (Group) Co., Ltd.. China COSCO Bulk Shipping (Group) Co., Ltd. is 43.5% owned by China Ocean Shipping (Group) Company and 56.5% owned by COSCO SHIPPING Bulk Co., Ltd.. Both China Ocean Shipping (Group) Company and COSCO SHIPPING Bulk Co., Ltd are wholly owned by China COSCO Shipping Corporation Limited. As such, each of China Ocean Shipping (Group) Company and China COSCO Shipping Corporation Limited is deemed to be interested in 1,207,520,000 domestic shares of the Company.
- (5) Such shares of the Company are directly held by Value Partners Limited, which is wholly owned by Value Partners Hong Kong Limited; and Value Partners Hong Kong Limited is wholly owned by Value Partners Group Limited.

Save as disclosed above, as at 30 June 2017, none of the persons had interest or short positions in the shares and underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which will be required, pursuant to Section 336 of the SFO, to be recorded in the register kept by the Company.

CONSOLIDATED BALANCE SHEET

As at 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note 6	30 June 2017 (Unaudited)	31 December 2016
Current assets			
Cash at bank and on hand	(1)	12,450,044,630	8,100,294,431
Financial assets at fair value through profit or loss	(2)	69,755,476	—
Notes receivable	(3)	828,919,421	665,419,919
Accounts receivable	(4) (a)	1,485,684,310	1,307,610,944
Advances to suppliers	(5)	90,961,331	59,043,938
Interests receivable		55,885,813	27,600,404
Dividends receivable		242,348,538	100,000,000
Other receivables	(4) (b)	1,150,114,636	861,340,269
Inventories	(6)	520,596,430	482,195,054
Current portion of non-current assets	(9), (15)	548,498,380	313,729,688
Other current assets	(7)	1,106,664,998	1,197,414,942
Total current assets		18,549,473,963	13,114,649,589
Non-current assets			
Available-for-sale financial assets	(8)	92,207,877	92,207,877
Long-term receivables	(9)	3,404,861,500	3,484,533,992
Long-term equity investments	(10)	8,115,519,602	5,139,039,800
Investment properties	(11)	177,721,267	117,843,468
Fixed assets	(12)	11,652,804,911	11,684,982,980
Construction in progress	(13)	3,466,328,625	2,172,757,318
Construction materials		84,949,234	166,211,455
Intangible assets	(14)	869,469,873	931,416,765
Goodwill		20,686,493	18,836,008
Long-term prepaid expenses		13,730,023	14,874,061
Deferred tax assets	(17)	868,450,918	872,096,260
Other non-current assets	(15)	450,838,117	473,124,633
Total non-current assets		29,217,568,440	25,167,924,617
TOTAL ASSETS		47,767,042,403	38,282,574,206

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND EQUITY	Note 6	30 June 2017 (Unaudited)	31 December 2016
Current liabilities			
Short-term borrowings	(18)	334,207,112	262,947,290
Notes payable	(19)	1,330,230,752	817,619,173
Accounts payable	(20)	1,415,252,456	1,125,837,022
Advances from customers		375,533,533	334,125,905
Employee benefits payable	(21)	206,414,496	227,056,983
Taxes payable	(22)	187,242,821	153,220,569
Interests payable	(23)	66,441,646	99,129,006
Dividends payable	(35)	787,551,013	—
Other payables	(24)	10,106,135,900	9,895,856,196
Current portion of non-current liabilities		28,145,039	24,137,717
Total current liabilities		14,837,154,768	12,939,929,861
Non-current liabilities			
Long-term borrowings	(25)	184,419,487	137,390,687
Bonds payable	(26)	3,500,000,000	3,500,000,000
Long-term payables	(27)	68,728,865	58,101,909
Provisions		2,808,441	2,283,097
Deferred income	(28)	144,864,441	145,259,921
Long-term employee benefits payable	(29)	2,530,030,000	2,731,450,000
Other non-current liabilities	(30)	3,183,914,771	3,285,600,108
Total non-current liabilities		9,614,766,005	9,860,085,722
Total liabilities		24,451,920,773	22,800,015,583

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND EQUITY	Note 6	30 June 2017 (Unaudited)	31 December 2016
Equity			
Share capital		6,036,724,000	4,778,204,000
Capital surplus	(31)	10,779,287,682	5,321,635,366
Other comprehensive income	(32)	119,756,500	(63,024,800)
Specific reserve		7,704,162	2,991,631
Surplus reserve	(33)	429,859,457	429,859,457
General reserve	(34)	134,121,910	134,121,910
Undistributed profits	(35)	4,394,850,383	3,631,936,223
Total equity attributable to shareholders of the Company		21,902,304,094	14,235,723,787
Non-controlling interests		1,412,817,536	1,246,834,836
Total equity		23,315,121,630	15,482,558,623
TOTAL LIABILITIES AND EQUITY		47,767,042,403	38,282,574,206

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

COMPANY BALANCE SHEET

As at 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note 17	30 June 2017 (Unaudited)	31 December 2016
Current assets			
Cash at bank and on hand	(1)	5,974,033,830	2,253,873,559
Notes receivable	(2)	409,056,069	384,780,521
Accounts receivable	(3) (a)	689,311,698	685,670,025
Advances to suppliers	(4)	12,392,235	6,375,257
Interests receivable		14,642,562	7,932,218
Dividends receivable		446,823,694	100,000,000
Other receivables	(3) (b)	775,531,760	779,586,706
Inventories	(5)	391,456,559	370,639,286
Current portion of non-current assets	(13)	11,613,049	11,613,049
Other current assets	(6)	44,629,918	51,518,077
Total current assets		8,769,491,374	4,651,988,698
Non-current assets			
Available-for-sale financial assets		71,421,487	71,421,487
Long-term receivables	(7)	3,400,000,000	2,995,000,000
Long-term equity investments	(8)	12,478,920,505	9,210,761,362
Investment properties	(9)	563,291,271	573,468,864
Fixed assets	(10)	8,601,284,492	8,757,681,495
Construction in progress	(11)	1,203,431,165	1,038,519,224
Intangible assets	(12)	2,291,150,027	2,313,610,734
Long-term prepaid expenses		7,257,082	7,764,816
Deferred tax assets	(15)	60,040,625	64,089,545
Other non-current assets	(13)	258,303,868	216,444,105
Total non-current assets		28,935,100,522	25,248,761,632
TOTAL ASSETS		37,704,591,896	29,900,750,330

COMPANY BALANCE SHEET (CONTINUED)

As at 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND EQUITY	Note 17 (Unless otherwise stated)	30 June 2017 (Unaudited)	31 December 2016
Current liabilities			
Short-term borrowings	(16)	525,222,213	408,760,938
Notes payable	(17)	276,392,454	270,246,223
Accounts payable		725,943,572	790,245,295
Advances from customers		336,224,459	259,356,101
Employee benefits payable	(18)	173,112,552	197,049,152
Taxes payable	(19)	29,936,448	28,061,465
Interests payable		16,451,106	69,346,277
Dividends payable		787,551,013	—
Other payables	(20)	1,380,135,111	1,722,699,187
Total current liabilities		4,250,968,928	3,745,764,638
Non-current liabilities			
Bonds payable		3,500,000,000	3,500,000,000
Long-term payables		116,997,322	52,016,078
Provisions		2,808,441	2,283,097
Deferred income	6(28)	139,190,364	139,190,364
Long-term employee benefits payable	(21)	2,338,250,000	2,524,620,000
Other non-current liabilities		3,183,914,769	3,285,600,108
Total non-current liabilities		9,281,160,896	9,503,709,647
Total liabilities		13,532,129,824	13,249,474,285
Equity			
Share capital		6,036,724,000	4,778,204,000
Capital surplus	(22)	14,708,085,357	9,250,433,041
Other comprehensive income	(32)	104,360,000	(65,200,000)
Specific reserve		4,418,865	—
Surplus reserve	6(33)	429,859,457	429,859,457
Undistributed profits	(23)	2,889,014,393	2,257,979,547
Total equity		24,172,462,072	16,651,276,045
TOTAL LIABILITIES AND EQUITY		37,704,591,896	29,900,750,330

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 6	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Revenue	(36)	4,785,027,307	4,121,919,021
Less: Cost of sales	(36), (39)	(3,079,234,373)	(2,742,607,146)
Taxes and surcharges	(37)	(53,732,698)	(41,167,136)
Selling and distribution expenses	(39)	(7,822,408)	(7,926,483)
General and administrative expenses	(39)	(213,163,917)	(270,810,435)
Finance expenses - net	(38)	75,971,001	56,201,134
Asset impairment losses	(40)	(6,662,216)	(18,890,277)
Add: Investment income	(41)	529,772,239	398,802,833
Including: Share of profit of associates and joint ventures		511,045,352	398,626,852
Operating profit		2,030,154,935	1,495,521,511
Add: Non-operating income	(42) (a)	34,771,856	59,204,143
Including: Gains on disposal of non-current assets		5,494,641	38,719,286
Less: Non-operating expenses	(42) (b)	(1,900,533)	(148,781)
Including: Losses on disposal of non-current assets		(1,480,853)	(105,179)
Total profit		2,063,026,258	1,554,576,873
Less: Income tax expenses	(43)	(410,394,685)	(301,756,199)
Net profit		1,652,631,573	1,252,820,674
Including: Net profit of the acquired entity in a business combination involving enterprises under common control before the combination date		—	862,154
Attributable to shareholders of the Company		1,550,465,173	1,200,341,762
Attributable to minority interests		102,166,400	52,478,912
Other comprehensive income, net of tax	(32)	183,120,000	99,090,000
Attributable to shareholders of the Company			
Other comprehensive income that will not be subsequently reclassified to profit or loss			
Remeasurement of employee benefit obligations		182,781,300	98,933,200
Attributable to minority interests		338,700	156,800
Total comprehensive income		1,835,751,573	1,351,910,674
Attributable to shareholders of the Company		1,733,246,473	1,299,274,962
Attributable to minority interests		102,505,100	52,635,712
Earnings per share			
Basic earnings per share	(44) (a)	0.31	0.25
Diluted earnings per share	(44) (b)	0.31	0.25

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

COMPANY INCOME STATEMENT

For the six months ended 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 17	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Revenue	(24)	2,688,699,716	2,508,258,772
Less: Cost of sales	(24), (27)	(1,928,065,207)	(1,735,833,753)
Taxes and surcharges	(25)	(43,505,263)	(21,489,656)
Selling and distribution expenses	(27)	(7,763,568)	(7,517,860)
General and administrative expenses	(27)	(143,620,275)	(213,564,164)
Finance expenses - net	(26)	(42,250,647)	(30,628,844)
Asset impairment losses	(28)	(55,944)	(9,311,331)
Add: Investment income	(29)	1,034,311,140	500,602,119
Including: Share of profit of associates and joint ventures		502,558,998	389,128,509
Operating profit		1,557,749,952	990,515,283
Add: Non-operating income	(30) (a)	15,183,155	14,039,630
Including: Gains on disposal of non-current assets		556,210	91,233
Less: Non-operating expenses	(30) (b)	(432,500)	(86,753)
Including: Losses on disposal of non-current assets		(30,377)	(81,310)
Total profit		1,572,500,607	1,004,468,160
Less: Income tax expenses	(31)	(153,914,748)	(140,690,609)
Net profit		1,418,585,859	863,777,551
Other comprehensive income, net of tax	(32)	169,560,000	92,270,000
Other comprehensive income that will not be subsequently reclassified to profit or loss			
Remeasurement of employee benefit obligations		169,560,000	92,270,000
Total comprehensive income		1,588,145,859	956,047,551

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 6	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Cash flows from operating activities			
Cash received from sales of goods or rendering of services		3,819,061,152	2,759,226,852
Cash received relating to other operating activities	(45) (g)	175,936,298	192,752,348
Sub-total of cash inflows		3,994,997,450	2,951,979,200
Cash paid for goods and services		(1,527,058,747)	(1,180,407,081)
Cash paid to and on behalf of employees		(968,923,002)	(861,788,386)
Payments of taxes and surcharges		(529,950,764)	(406,600,602)
Cash paid relating to other operating activities	(45) (h)	(150,430,488)	(172,892,122)
Sub-total of cash outflows		(3,176,363,001)	(2,621,688,191)
Net cash flows from operating activities	(45) (a)	818,634,449	330,291,009
Cash flows from investing activities			
Cash received from disposal of investments		3,857,184,067	822,500,000
Cash received from returns on investments		737,412,098	484,007,834
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		9,268,935	40,919,785
Cash received relating to other investing activities	(45) (i)	370,231,261	423,717,020
Sub-total of cash inflows		4,974,096,361	1,771,144,639
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(1,171,959,453)	(1,272,766,445)
Cash paid to acquire investments		(2,212,942,436)	(1,965,148,575)
Cash paid relating to other investing activities	(45) (j)	(780,865,278)	(2,711,904,653)
Sub-total of cash outflows		(4,165,767,167)	(5,949,819,673)
Net cash flows from investing activities		808,329,194	(4,178,675,034)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the six months ended 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 6	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Cash flows from financing activities			
Cash received from capital contributions		3,628,021,848	274,351,304
Including: Cash received by subsidiaries from capital contributions by minority shareholders		102,900,000	274,351,304
Cash received from borrowings		435,566,220	336,298,289
Cash received from issuing bonds		—	3,500,000,000
Cash received relating to other financing activities	(45) (k)	844,083,202	113,468,893
Sub-total of cash inflows		4,907,671,270	4,224,118,486
Cash repayments of borrowings		(94,481,498)	(7,350,000)
Cash payments for distribution of dividends, profits or interest expenses		(173,553,988)	(70,456,264)
Including: Cash payments for distribution of profits to minority shareholders of subsidiaries		(39,625,580)	(24,313,063)
Cash payments relating to other financing activities	(45) (l)	(430,587,419)	—
Sub-total of cash outflows		(698,622,905)	(77,806,264)
Net cash flows from financing activities		4,209,048,365	4,146,312,222
Exchange effect on cash		(16,377,583)	138,463
Net increase in cash	(45) (e)	5,819,634,425	298,066,660
Add: Cash at beginning of period		2,747,487,988	4,762,467,699
Cash at end of period	(45) (f)	8,567,122,413	5,060,534,359

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

COMPANY CASH FLOW STATEMENT

For the six months ended 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 17	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Cash flows from operating activities			
Cash received from sales of goods or rendering of services		1,598,420,909	1,475,669,937
Cash received relating to other operating activities	(33) (g)	127,059,805	96,717,863
Sub-total of cash inflows		1,725,480,714	1,572,387,800
Cash paid for goods and services		(602,319,010)	(873,517,128)
Cash paid to and on behalf of employees		(685,160,507)	(654,117,967)
Payments of taxes and surcharges		(249,859,785)	(199,705,093)
Cash paid relating to other operating activities	(33) (h)	(41,232,452)	(101,723,532)
Sub-total of cash outflows		(1,578,571,754)	(1,829,063,720)
Net cash flows from operating activities	(33) (a)	146,908,960	(256,675,920)
Cash flows from investing activities			
Cash received from disposal of investments		37,000,000	847,500,000
Cash received from returns on investments		905,726,082	474,393,177
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		54,018,898	364,519,357
Cash received relating to other investing activities	(33) (i)	60,000,000	238,234,312
Sub-total of cash inflows		1,056,744,980	1,924,646,846
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(136,375,944)	(108,261,332)
Cash paid to acquire investments		(454,609,807)	(2,268,945,800)
Cash paid relating to other investing activities	(33) (j)	(454,954,028)	(2,055,000,000)
Sub-total of cash outflows		(1,045,939,779)	(4,432,207,132)
Net cash flows from investing activities		10,805,201	(2,507,560,286)

COMPANY CASH FLOW STATEMENT (CONTINUED)

For the six months ended 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 17	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Cash flows from financing activities			
Cash received from capital contributions		3,525,121,848	—
Cash received from borrowings		481,464,794	328,355,789
Cash received from issuing bonds		—	3,500,000,000
Sub-total of cash inflows		4,006,586,642	3,828,355,789
Cash repayments of borrowings		(238,067,419)	—
Cash payments for distribution of dividends, profits or interest expenses		(119,285,283)	(22,982,927)
Cash payments relating to other financing activities	(33) (k)	(430,587,419)	—
Sub-total of cash outflows		(787,940,121)	(22,982,927)
Net cash flows from financing activities		3,218,646,521	3,805,372,862
Exchange effect on cash		(15,644,444)	(79,367)
Net increase in cash	(33) (e)	3,360,716,238	1,041,057,289
Add: Cash at beginning of period		2,183,155,558	1,374,435,149
Cash at end of period	(33) (f)	5,543,871,796	2,415,492,438

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 6	Attributable to shareholders of the Company								Total equity
		Share capital	Capital surplus	Other comprehensive income	Surplus reserve	General reserve	Undistributed profits	Specific reserve	Non-controlling interests	
Balance at 1 January 2016		4,778,204,000	5,510,182,348	(301,159,600)	287,004,088	77,670,166	2,309,642,411	2,897,083	883,454,549	13,547,895,045
Movement for the six months ended 30 June 2016 (Unaudited)										
Total comprehensive income										
Net profit		—	—	—	—	—	1,200,341,762	—	52,478,912	1,252,820,674
Other comprehensive income	(32)	—	—	98,933,200	—	—	—	—	156,800	99,090,000
Total comprehensive income		—	—	98,933,200	—	—	1,200,341,762	—	52,635,712	1,351,910,674
Capital contribution and withdrawal by shareholders										
Capital contribution by minority shareholders in subsidiaries		—	—	—	—	—	—	—	274,351,304	274,351,304
Business combination involving enterprises under common control of Tugboat Business	(31)	—	(198,015,888)	—	—	—	—	—	—	(198,015,888)
Profit distribution										
Profit distribution to the shareholders	(35)	—	—	—	—	—	(664,552,612)	—	(24,313,063)	(688,865,675)
Specific reserve										
Appropriation to safety fund		—	—	—	—	—	—	23,509,573	246,035	23,755,608
Utilisation of safety fund		—	—	—	—	—	—	(23,295,722)	(78,922)	(23,374,644)
Recognised share of changes in other reserves of associates and joint ventures	(31)	—	7,702,799	—	—	—	—	—	—	7,702,799
Balance at 30 June 2016 (Unaudited)		4,778,204,000	5,319,869,259	(202,226,400)	287,004,088	77,670,166	2,845,431,561	3,110,934	1,186,295,615	14,295,359,223

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

For the six months ended 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 6	Attributable to shareholders of the Company								Total equity
		Share capital	Capital surplus	Other comprehensive income	Surplus reserve	General reserve	Undistributed profits	Specific reserve	Non-controlling interests	
Balance at 1 January 2017		<u>4,778,204,000</u>	<u>5,321,635,366</u>	<u>(63,024,800)</u>	<u>429,859,457</u>	<u>134,121,910</u>	<u>3,631,936,223</u>	<u>2,991,631</u>	<u>1,246,834,836</u>	<u>15,482,558,623</u>
Movement for the six months ended 30 June 2017 (Unaudited)										
Total comprehensive income										
Net profit		—	—	—	—	—	1,550,465,173	—	102,166,400	1,652,631,573
Other comprehensive income	(32)	—	—	182,781,300	—	—	—	—	338,700	183,120,000
Total comprehensive income		—	—	182,781,300	—	—	1,550,465,173	—	102,505,100	1,835,751,573
Capital contribution and withdrawal by shareholders										
Increase the capitals to issue domestic-listed shares and foreign-listed shares	(31)	1,258,520,000	5,452,243,208	—	—	—	—	—	—	6,710,763,208
Capital contribution by minority shareholders in subsidiaries		—	—	—	—	—	—	—	102,900,000	102,900,000
Profit distribution										
Profit distribution to the shareholders	(35)	—	—	—	—	—	(787,551,013)	—	(39,625,580)	(827,176,593)
Specific reserve										
Appropriation to safety fund		—	—	—	—	—	—	20,459,335	1,183,896	21,643,231
Utilisation of safety fund		—	—	—	—	—	—	(15,746,804)	(980,716)	(16,727,520)
Recognised share of changes in other reserves of associates and joint ventures	(31)	—	5,409,108	—	—	—	—	—	—	5,409,108
Balance at 30 June 2017 (Unaudited)		<u>6,036,724,000</u>	<u>10,779,287,682</u>	<u>119,756,500</u>	<u>429,859,457</u>	<u>134,121,910</u>	<u>4,394,850,383</u>	<u>7,704,162</u>	<u>1,412,817,536</u>	<u>23,315,121,630</u>

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 17	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits	Specific reserve	Total equity
Balance at 1 January 2016		<u>4,778,204,000</u>	<u>9,240,964,135</u>	<u>(291,780,000)</u>	<u>287,004,088</u>	<u>1,636,833,839</u>	—	<u>15,651,226,062</u>
Movement for the six months ended 30 June 2016 (Unaudited)								
Total comprehensive income								
Net profit		—	—	—	—	863,777,551	—	863,777,551
Other comprehensive income	(32)	—	—	92,270,000	—	—	—	92,270,000
Total comprehensive income		—	—	92,270,000	—	863,777,551	—	956,047,551
Profit distribution								
Profit distribution to the shareholders	(23)	—	—	—	—	(664,552,612)	—	(664,552,612)
Specific reserve								
Appropriation to safety fund		—	—	—	—	—	23,150,318	23,150,318
Utilisation of safety fund		—	—	—	—	—	(23,150,318)	(23,150,318)
Recognised share of changes in other reserves of associates and joint ventures	(22)	—	7,702,799	—	—	—	—	7,702,799
Balance at 30 June 2016 (Unaudited)		<u>4,778,204,000</u>	<u>9,248,666,934</u>	<u>(199,510,000)</u>	<u>287,004,088</u>	<u>1,836,058,778</u>	—	<u>15,950,423,800</u>

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

For the six months ended 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 17 (Unless otherwise stated)	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits	Specific reserve	Total equity
Balance at 1 January 2017		4,778,204,000	9,250,433,041	(65,200,000)	429,859,457	2,257,979,547	—	16,651,276,045
Movement for the six months ended 30 June 2017 (Unaudited)								
Total comprehensive income								
Net profit		—	—	—	—	1,418,585,859	—	1,418,585,859
Other comprehensive income	(32)	—	—	169,560,000	—	—	—	169,560,000
Total comprehensive income		—	—	169,560,000	—	1,418,585,859	—	1,588,145,859
Capital contribution and withdrawal by shareholders								
Increase the capitals to issue domestic-listed shares and foreign-listed shares	6(31)	1,258,520,000	5,452,243,208	—	—	—	—	6,710,763,208
Profit distribution								
Profit distribution to the shareholders	(23)	—	—	—	—	(787,551,013)	—	(787,551,013)
Specific reserve								
Appropriation to safety fund		—	—	—	—	—	17,093,734	17,093,734
Utilisation of safety fund		—	—	—	—	—	(12,674,869)	(12,674,869)
Recognised share of other changes in equity of associates and joint ventures	(22)	—	5,409,108	—	—	—	—	5,409,108
Balance at 30 June 2017 (Unaudited)		<u>6,036,724,000</u>	<u>14,708,085,357</u>	<u>104,360,000</u>	<u>429,859,457</u>	<u>2,889,014,393</u>	<u>4,418,865</u>	<u>24,172,462,072</u>

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

1 GENERAL INFORMATION

Qingdao Port International Co., Ltd. (“the Company”) is a stock limited company incorporated in Qingdao City of Shandong Province of the People’s Republic of China (“the PRC”) on 15 November 2013 (the Company’s “Date of Incorporation”) by Qingdao Port (Group) Co., Ltd. (“Qingdao Port Group”) (“the Leading Promoter”) together with “Other Promoters” including Shenzhen Malai Storage Co., Ltd., Qingdao Ocean Shipping Co., Ltd., China Shipping Terminal Development Co., Ltd., Everbright (Qingdao) Financial Leasing Co., Ltd. and Qingdao International Investment Co., Ltd., with its registered address at 7 Ganghua Road, Shibe District, Qingdao and legal representative being Zheng Minghui. The parent company and the ultimate parent company of the Company are Qingdao Port Group. The total share capital of the Company at incorporation is 4,000,000,000 shares (par value at RMB1). Qingdao Port Group and Other Promoters shareholding is 90.0%, 2.8%, 2.4%, 2.4%, 1.2% and 1.2%.

The Company issued 705,800,000 foreign-listed H-shares overseas at its Initial Public Offering on 6 June 2014 according to the “Official Reply on Approval of Overseas Issuance of Foreign Shares by Qingdao Port International Co., Ltd. (No. 434 Paper of China Securities Regulatory Commission)”. The offering price per share is HKD3.76 (equivalent to RMB2.98); and the share capital increased to RMB4,705,800,000 after the initial public offering.

The Company exercised over-allotment option on 2 July 2014 and increased issuance of 72,404,000 foreign-listed H shares overseas. The issuance price per share is HKD3.76 (equivalent to RMB2.99), and the share capital increased to 4,778,204,000 shares after the exercising of over-allotment option.

Moreover, 77,821,000 state-owned shares held by Qingdao Port Group (equivalent to 10% of issued H shares) are converted to H shares and transferred to the National Council for Social Security Fund of the PRC (“Social Security Fund”) as a portion of shares in the IPO and over-allotment for sale.

The completion of the placing of 243,000,000 new H-shares of the Company (“the Placing”) took place on 18 May 2017 at the placing price of HK\$4.32 per H Share (equivalent to RMB3.81). The number of total issued shares of the Company increased to 5,021,204,000 Shares as a result of the issue of the Placing Shares.

The Company made proposed subscription of 1,015,520,000 shares of domestic shares to Shanghai China Shipping Terminal Development Co., Ltd. (“Shanghai China Shipping Terminal”) on 22 May 2017; the subscription price per share was RMB5.71. After the completion of the Placing and the Proposed Subscription, the registered capital of the Company increased to 6,036,724,000 shares.

As at 30 June 2017, the total share capital of the Company is 6,036,724,000 shares with par value at 1, including 4,937,699,000 domestic shares and 1,099,025,000 H shares, accounting for 81.8% and 18.2% respectively of the total share capital. Qingdao Port Group holds 58.45% shares of the Company.

The scope of business of the Company and its subsidiaries (collectively “the Group”) includes port and port-related services such as stevedoring, stacking, storage and cargo transportation of containers, metal ores, coal, crude oil, grains, break bulk cargo, financing service business, and port supporting business like port machinery manufacture, building and construction, tugboat and barging, and ocean shipping tallying.

These financial statements have been approved for issue by the Company’s Board of Directors on 25 August 2017.

The interim financial statements are unaudited.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 BASIS OF PREPARATION

The financial statements are prepared in accordance with the *Accounting Standard for Business Enterprises - Basic Standard*, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as “the Accounting Standards for Business Enterprises”).

The financial statements are prepared on a going concern basis.

(1) Preparation basis of consolidated financial statements

Prior to the establishment of the Company, Qingdao Port Group was reorganised under the plan approved by Qingdao State-owned Assets Supervision & Administration Commission and transferred certain business into the Company; therefore, the matter was deemed as business combination involving enterprises under common control. Pursuant to the *Accounting Standards for Business Enterprises*, at preparation of the consolidated financial statements of the Group, the assets and liabilities contributed by Qingdao Port Group at the Company’s date of incorporation remain presented at their original carrying amounts rather than at the appraisal values approved by the competent state-owned assets management authorities in the reorganisation. The difference between the appraisal values and the carrying amounts is charged against the shareholders’ equity in the consolidated financial statements.

On the other hand, certain subsidiaries of the Company appraised their assets and liabilities in the process of transformation from state-owned enterprises into limited liability companies. In the light of *Interpretation No.1 to the Accounting Standards for Business Enterprises*, the assets and liabilities of such reorganised companies shall, on the incorporation dates, be consolidated into the consolidated financial statements of the Group based on the appraisal values approved by the competent state-owned assets management authorities.

(2) Preparation basis of the Company’s financial statements

At preparation of the Company’s financial statement, the assets and liabilities of Qingdao Port Group that were contributed into the Company are recognised based on the appraisal values approved by the competent state-owned assets management authorities.

3 STATEMENT OF COMPLIANCE WITH THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements of the Company for the six months ended 30 June 2017 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the Consolidated and the Company’s financial position as of 30 June 2017 and their financial performance, cash flows and other information for the period then ended.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Accounting year

The Company's accounting year starts on 1 January and ends on 31 December.

(2) Recording currency

The recording currency is Renminbi (RMB).

(3) Business combination

(a) Business combination involving enterprises under common control

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (capital premium). If the capital surplus (capital premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(b) Business combination involving enterprises not under common control

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(4) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' owners' equity and the portion of subsidiaries' net profits and losses and comprehensive incomes for the period not attributable to the Company are recognised as minority interests, net profit attributed to minority interests and total comprehensive incomes attributed to minority interests and presented separately in the consolidated financial statements under shareholders' equity, net profits and total comprehensive income respectively. Unrealised profits and losses resulting from the sales of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to owners of the parent. Unrealised profits and losses resulting from the sales of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to owners of the parent and minority interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealized profits and losses resulting from the sales of assets by one subsidiary to another are eliminated and allocated between net profit attributable to owners of the parent and minority interests in accordance with the allocation proportion of the parent in the subsidiary.

If the accounting treatment of a transaction which considers the Group as an accounting entity is different from that considers the Company or its subsidiaries as an accounting entity, it is adjusted from the perspective of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(6) Foreign currency translation

(a) Foreign currency transaction

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the shareholders' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements of overseas operations are translated at the spot exchange rates of the transaction dates. The differences arising from the above translation are presented in other comprehensive income. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(7) Financial instruments

(a) Financial assets

(i) Classification of financial assets

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on the Group's intention and ability to hold the financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for the purpose of selling in the short term. They are presented as financial assets held for trading on the balance sheet.

Receivables

Receivables, including accounts receivable and other receivables, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market (Note 4(8)).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories at initial recognition. Available-for-sale financial assets are included in other current assets on the balance sheet if management intends to dispose of them within 12 months after the balance sheet date.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments that management has the positive intention and ability to hold to maturity. Held-to-maturity investments with maturities over 12 months when the investments were made but are due within 12 months at the balance sheet date are included in the current portion of non-current assets; held-to maturity investments with maturities no more than 12 months when the investments were made are included in other current assets.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(7) Financial instruments (Continued)

(a) Financial assets (Continued)

(ii) Recognition and measurement

Financial assets are recognised at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. In the case of financial assets at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognised in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initially recognised amounts.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Receivables and held-to-maturity investments are measured at amortised cost using the effective interest method.

Gains or losses arising from change in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss. Interests and cash dividends received during the period in which such financial assets are held, as well as the gains or losses arising from disposal of these assets are recognised in profit or loss for the current period.

Gains or losses arising from change in fair value of available-for-sale financial assets are recognised directly in equity, except for impairment losses and foreign exchange gains and losses arising from translation of monetary financial assets. When such financial assets are derecognised, the cumulative gains or losses previously recognised directly into equity are recycled into profit or loss for the current period. Interests on available-for-sale investments in debt instruments calculated using the effective interest method during the period in which such investments are held and cash dividends declared by the investee on available-for-sale investments in equity instruments are recognised as investment income, which is recognised in profit or loss for the period.

(iii) Impairment of financial assets

The Group assesses the carrying amounts of financial assets other than those at fair value through profit or loss at each balance sheet date. If there is objective evidence that a financial asset is impaired, an impairment loss is provided for.

Objective evidence indicating impairment of financial assets refers to the matter that actually occurs after the initial recognition of financial assets, it will affect estimated future cash flows of financial assets, and its impact can be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(7) Financial instruments (Continued)

(a) Financial assets (Continued)

(iii) Impairment of financial assets (Continued)

Objective evidence of impairment of available-for-sale financial instruments includes a significant or prolonged decline in the fair value of an investment in equity instruments. The Group separately checks the available-for-sale equity instruments at each balance sheet date. If their fair value at the balance sheet date is lower than their initial investment costs for more than 50% (inclusive) or lower than their initial investment costs for the duration of more than 1 year (inclusive), therefore, the impairment loss has occurred. However, if their fair value at the balance sheet date is lower than their initial investment costs for more than 20% (inclusive) but less than 50%, the Group will take into account other factors, such as price volatility in the judgement of impairment loss. The Group calculates the initial investment cost of available-for-sale equity instruments by using weighted average method.

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

When an impairment loss on available-for-sale financial assets measured at fair value occurs, the cumulative losses arising from the decline in fair value that has been recognised directly in equity are transferred out from equity and into impairment loss. For an investment in debt instrument classified as available-for-sale on which impairment losses have been recognised, if, in a subsequent period, its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the previously recognised impairment loss is reversed into profit or loss for the current period. For an investment in an equity instrument classified as available-for-sale on which impairment losses have been recognised, the increase in its fair value in a subsequent period is recognised directly in equity.

When an impairment loss on an available-for-sale financial asset measured at cost occurs, the amount of loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognised in profit or loss for the current period. The previously recognised impairment loss will not be reversed in subsequent periods.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(7) Financial instruments (Continued)

(a) Financial assets (Continued)

(iv) Derecognition of financial assets

A financial asset is derecognised when any of the below criteria is met: (i) the contractual rights to receive the cash flows from the financial asset expire; (ii) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (iii) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognised directly in equity, is recognised in profit or loss.

(b) Financial liabilities

Financial liabilities are classified into the following categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. The financial liabilities of the Group mainly comprise other financial liabilities, including payables, borrowings and bonds payable.

Payables, including accounts payable and other payables, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings and bonds payable are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities with maturities no more than one year are classified as current liabilities. Other financial liabilities with maturities over one year but are due within one year at the balance sheet date are classified as the current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability (or a part of a financial liability) is derecognised when all or part of the obligation is extinguished. The difference between the carrying amount of the financial liability or the derecognised part of the financial liability and the consideration paid is recognised in profit or loss.

(c) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. At valuation, the Group uses valuation techniques that are applicable in the current situation and supported by adequate available data and other information, selects inputs with the same characteristics as those of assets or liabilities considered in relevant transactions of assets or liabilities by market participants, and gives priority to the use of relevant observable inputs. The Group uses unobservable inputs when relevant observable inputs are not available or feasible.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(8) Receivables

Receivables comprise accounts receivable and other receivables. Accounts receivable arising from sales of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyers or service recipients.

Receivables with amounts that are individually significant are subject to assessment for impairment on the individual basis. If there exists objective evidence that the Group will not be able to collect the amount under the original terms, a provision for bad debts of that receivable is made at the difference between its carrying amount and the present value of its estimated future cash flows.

Receivables with amounts that are not individually significant and those receivables that have been individually assessed for impairment and have not been found impaired are classified into certain groupings based on their credit risk characteristics. The provision for bad debts is determined based on the historical loss experience for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

When the Group transfers the accounts receivable to the financial institutions without recourse, the difference between the proceeds received from the transaction and their carrying amounts and the related taxes is recognised in profit or loss for the current period.

(9) Inventories

(a) Classification

Inventories include amounts due from customers for construction contract, materials and finished goods, spare parts, fuel, low value consumables, and are stated at the lower of cost and net realisable value.

(b) Costing of inventories

Cost of materials, finished goods, fuel and spare parts is determined using weighted average method when issued while low value consumables are charged to cost in full when issued for use.

Construction contract-in-progress is valued at the accumulative cost of the work done, plus accumulative profit (loss) of construction contract and less progress billings. Cost of construction is accounted for at actual cost, including expenses of direct materials, direct labour, subcontracting, and other direct and indirect expenses for construction. The amount of accumulative cost and confirmed accumulative gross profit (loss) of construction contracts exceeding the progress billing is shown as “amounts due from customers for construction contract” under inventories. The amount that the progress billing exceeding accumulative cost and confirmed accumulative gross profit (loss) of construction contracts is shown as “amounts due to customers for construction contract” under advances from customers.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(9) Inventories (Continued)

(c) Basis for determining net realisable values of inventories and method for making provision for decline in the value of inventories

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

In execution of construction contracts, in the case where the estimated total costs of contract exceed the estimated total revenue, provision for estimated loss of the contract shall be made and recorded in the profits and losses for the current period.

(d) The Group adopts the perpetual inventory system.

(10) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, and the Group's long-term equity investments in its joint ventures and associates.

Subsidiaries are the investees over which the Company is able to exercise control; A joint venture is a joint arrangement which is structured through a separate vehicle over which the Group has joint control together with other parties and only has rights to the net assets of the arrangement based on legal forms, contractual terms and other facts and circumstances; An associate is the investee over which the Group has significant influence by participating in the financial and operating policy decisions.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements. Investments in joint ventures and associates are accounted for using the equity method.

(a) Determination of investment cost

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of owners' equity of the party being absorbed at the combination date; for long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(10) Long-term equity investments (Continued)

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

For long-term equity investments accounted for using the cost method, they are measured at the initial investment costs, and cash dividends or profit distribution declared by the investees are recognised as investment income in profit or loss.

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is measured at the initial investment cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference is included in profit or loss and the cost of the long-term equity investment is adjusted upwards accordingly.

For long-term equity investments accounted for using the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of the net losses of an investee after the carrying amounts of the long-term equity investment together with any long-term interests that in substance form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. The changes of the Group's share of the investee's owner's equity other than those arising from the net profit or loss, other comprehensive income and profit distribution, are recognised in the Group's capital surplus and the carrying amounts of the long-term equity investment are adjusted accordingly. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealised profits or losses arising from the transactions between the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, based on which the investment gain or losses are recognised. Any losses resulting from transactions between the Group and its investees attributable to asset impairment losses are not eliminated.

When the investor increases the percentage of shareholding in investee due to additional investment, but the investee remains to be an associate or a joint venture, it shall be accounted for using equity method with the updated percentage of shareholding. Where the additional investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the additional investment date, the cost of long-term equity investment is not adjusted; where the additional investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the additional investment date, the difference is included in non-operating income and the cost of the long-term equity investment is adjusted upwards accordingly. While making the adjustment, goodwill relating to the original and additional investment or the amount included in profit or loss should be considered.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(10) Long-term equity investments (Continued)

(c) Basis for determining existence of control, jointly control or significant influence over investees

Control is the power to govern an investee, so as to obtain variable returns from its involvement with the investee, and has the ability to use its power over the investee to affect the amount of the investor's returns.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

(d) Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries, joint ventures and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 4(17)).

(11) Investment properties

Investment properties, including land use rights that have already been leased out, buildings that are held for the purpose of leasing, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the period in which they are incurred.

The Group adopts the cost model for subsequent measurement of investment properties. Land use rights are amortised on the straight-line basis over their approved use period of 35 - 50 years. Buildings are depreciated to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values that are expressed as a percentage of cost and the annual depreciation rates of buildings and land use rights are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	30 years	4%	3.2%
Land use rights	35 - 50 years	—	2.0% - 2.9%

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(11) Investment properties (Continued)

When an investment property is transferred to owner-occupied properties, it is reclassified as fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as investment properties at its carrying amount at the date of the transfer. When transferred, carrying amount before transfer shall be recorded as cost after transfer.

The investment property's estimated useful life, net residual value and depreciation method applied are reviewed and adjusted as appropriate at each year-end.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

The carrying amount of an investment property is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 4(17)).

(12) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, terminal facilities, storage facilities, loading equipment, machinery and equipment, vessels, transportation equipment, communication facilities, office equipment and other equipment.

Fixed assets are recognised when it is probable that the related economic benefits will flow to the Group and the costs can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition. The fixed assets contributed by the State shareholders at the reorganisation of the Company into a corporation are recognised based on the evaluated amounts as approved by the state-owned assets administration department.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(12) Fixed assets (Continued)

(b) Depreciation methods of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	30 years	4%	3.2%
Terminal facilities	20 - 45 years	4%	2.1% - 4.8%
Storage facilities	20 - 45 years	4%	2.1% - 4.8%
Loading equipment	10 years	4%	9.6%
Machinery and equipment	5 - 18 years	4%	5.3% - 19.2%
Vessels	18 years	5%	5.3%
Transportation equipment	10 - 12 years	4%	8.0% - 9.6%
Communication facilities	5 - 8 years	4%	12.0% - 19.2%
Office equipment and other equipment	5 - 12 years	4%	8.0% - 19.2%

The estimated useful life and the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

(c) The carrying amount of a fixed asset is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 4(17)).

(d) Basis for identification of fixed assets held under finance leases and related measurement

A lease that in substance transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. The leased asset is recognised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognised finance charge.

Fixed assets held under a finance lease are depreciated on a basis consistent with the depreciation policy adopted for fixed assets that are self-owned. When a leased asset can be reasonably determined that its ownership will be transferred at the end of the lease term, it is depreciated over the period of expected use; otherwise, the leased asset is depreciated over the shorter period of the lease term and the period of expected use.

(e) Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(13) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 4(17)).

(14) Intangible assets

Intangible assets include land use rights, sea area use rights, computer software, and are measured at cost. The intangible assets contributed by the State shareholders at the reorganisation of the Company into a corporation are recognised based on the appraisal amounts as approved by the state-owned assets administration department.

(a) Land use rights

Land use rights are amortised on the straight-line basis over their approved use period of 35 - 50 years. If the acquisition costs of the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.

(b) Sea area use rights

Sea area use rights are initially recorded at their cost on acquisition and amortised on the straight-line basis over their useful lives of 50 years. The net book value of sea area use rights is allocated to land cost when the rights are used for reclamation.

(c) Computer software

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

(d) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

(e) Impairment of intangible assets

The carrying amount of intangible assets is reduced to its recoverable amount when its recoverable amount is lower than its carrying amount (Note 4(17)).

(15) Goodwill

Goodwill is recognised at the excess of the cost of a business combination involving enterprises not under common control over the interest in the fair value of the acquirees' identifiable net assets acquired in the business combination as at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(16) Long-term prepaid expenses

Long-term prepaid expenses include the expenditures for improvements to fixed assets held under operating leases, and other expenditures like site rental that has been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditures net of accumulated amortisation.

(17) Impairment of long-term assets

Fixed assets, construction in progress, investment property, intangible assets with a finite useful life and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that an asset may be impaired at the balance date. Intangible assets which are not ready for their intended use are tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying value of goodwill is allocated to the related asset group or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or a group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset group or group of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

(18) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of an asset that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(18) Borrowing costs (Continued)

For the specific borrowings obtained for the acquisition or construction of a fixed asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalisation period.

For the general borrowings obtained for the acquisition or construction of an asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by applying the weighted average effective interest rate of general borrowings, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the rate at which the estimated future cash flows during the period of expected duration of the borrowings or applicable shorter period are discounted to the initial amount of the borrowings.

(19) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings of which the period is within one year (inclusive) are classified as the short-term borrowings, and the others are classified as long-term borrowings.

(20) Employee benefits

Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits provided in various forms of consideration in exchange for service rendered by employees or compensations for the termination of employment relationship.

(a) Short-term employee benefits

Short-term employee benefits include employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, short-term paid absences. The employee benefit liabilities are recognised in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Employee benefits which are non-monetary benefits are measured at fair value.

(b) Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and Defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's post-employment benefits mainly include basic pensions, unemployment insurance, corporate annuity and supplemental retirement benefits. The first three items are under defined contribution plans and the last one is under defined benefit plans.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(20) Employee benefits (Continued)

(b) Post-employment benefits (Continued)

Basic pensions

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to prescribed bases and percentage by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

Corporate annuity

Employees who retire on and subsequent to 1 January 2016 enjoy the corporate annuity plan set up by the Group in accordance with State's corporate annuity regulations apart from basic pensions. The annuity is accrued by the Group in proportion to the payroll and the expenditure is included into profit or loss for the current period or relevant asset cost.

Supplemental retirement benefits

According to "the Minutes of the 29th Executive Meeting of the 15th People's Government of Qingdao City" issued by the General Office of Qingdao Municipal Government on 19 August 2013, the Group, besides the pension plan specified by the State, offers supplemental retirement benefits to employees retired or to be retired prior to 31 December 2015 and the surviving family members involved, which is under defined benefit plans. In addition, the Group passed the resolution that the Group will, besides the basic pensions and corporate annuity, offer part supplemental retirement benefits to employees retired on and after 1 January 2016. The above supplemental retirement benefits belong to defined benefit plan. The supplemental retirement benefits borne by the Group are recognised as liabilities, actuarially evaluated using projected unit credit method, and presented as the present value of expected future cash outflow. Actuarial gains and losses are included in other comprehensive income in the period when incurred, and past service cost is recognised in the period when incurred. The supplemental retirement benefits are discounted at the interest rate of government bonds that have terms to maturity approximating to the terms of the related supplemental retirement benefits.

The supplemental retirement benefits expected to be paid within one year since the balance sheet date are classified as current liabilities.

The supplemental retirement benefits borne by the Company for subsidiaries are deemed as investments in subsidiaries and are recorded into long-term equity investments and long-term payables.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(20) Employee benefits (Continued)

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as liabilities and corresponding charge to profit or loss at the earlier of the following dates: 1) when the Group cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; 2) when the Group recognises costs or expenses related to the restructuring that involves the payment of termination benefits.

Early retirement benefits

The Group offers early retirement benefits to those employees who accept early retirement arrangements. The early retirement benefits refer to the salaries and social security contributions to be paid to and for the employees who accept voluntary retirement before the normal retirement date prescribed by the State, as approved by the management. The Group pays early retirement benefits to those early retired employees from the early retirement date until normal retirement date. The Group accounts for the early retirement benefits in accordance with the treatment of termination benefits, in which the salaries and social security contributions to be paid to and for the early retired employees from the off-duty date to the normal retirement date are recognised as liabilities with a corresponding charge to the profit or loss for the current period. The differences arising from the changes in the respective actuarial assumptions of the early retirement benefits and the adjustments of benefit standards are recognised in profit or loss in the period when occurred.

The termination benefits expected to be paid within one year since the balance sheet date are classified as current liabilities.

The early retirement benefits borne by the Company for subsidiaries are deemed as investments in subsidiaries and are recorded into long-term equity investments and long-term payables.

(21) Dividend distribution

Cash dividend is recognised as a liability for the period in which the dividend is approved by the shareholders' meeting.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(22) Provisions

Provisions for product warranties, onerous contracts etc. are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditures required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

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

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

(23) Revenue recognition

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Group's activities. Revenue is shown net of discounts.

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group, the related revenue can be reliably measured, and the specific revenue recognition criteria have been met for each type of the Group's activities as described below:

(a) Rendering of services

- (i) Income from services is recognised when they are rendered, which include stevedoring and stacking of goods like metal ores, coal, crude oil, grains, break bulk cargo, containers, port management, logistics and transportation, tugboat and barging, ocean shipping tallying and other services.
- (ii) Income from storage of goods like metal ores, coal, crude oil, grains, break bulk cargo, containers is recognised on the straight-line basis over the service period.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(23) Revenue recognition (Continued)

(b) Construction contracts

If the outcome of a construction contract can be estimated reliably, contract revenue and cost should be recognised by reference to the percentage of completion method at the balance sheet date. The term “the outcome of a construction contract can be estimated reliably” refers to the fact where the total income of the contract can be estimated reliably, the economic benefits associated with the contract will flow to the Group, the actual contract cost can be differentiated apparently and measured reliably, and the progress of completion and the cost necessary to complete the contract can be determined reliably.

The stage of completion is measured by the proportion of contract costs actually incurred to the estimated total contract costs, based on the nature of construction. For a construction contract completed in the current period, the total contract revenue multiplied by progress of completion less the accumulated revenue recognised in previous year should be recognised as the revenue for the current period; meanwhile, the actual accumulated contract costs less accumulated costs recognised in the previous year are recognised as the costs for the current period.

When the outcome of a construction contract cannot be estimated reliably, if contract costs can be recovered, contract revenue shall be recognised only to the extent that the contract costs incurred are expected to be recovered, with the contract costs recognised as expenses in the period in which they are incurred. When contract costs cannot be recovered, these costs shall be recognised as expenses promptly when incurred and no contract revenue may be recognised.

In the case where the estimated total costs of contract exceed the estimated total revenue, the estimated losses of the contract shall be included into profit or loss for the current period.

(c) Sales of goods

Revenue from sales of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and it is probable that the economic benefit associated with the transaction will flow to the Group and the relevant revenue and costs can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(24) Government grants

Government grants are transfers of monetary or non-monetary assets from the government to the Group at nil consideration, including refund of taxes, financial subsidies, etc.

A government grant is recognised when the conditions attached to it can be complied with and the government grant can be received. For a government grant in the form of transfer of monetary assets, the grant is measured at the amount received or receivable. For a government grant in the form of transfer of non-monetary assets, it is measured at fair value; if the fair value is not reliably determinable, the grant is measured at nominal amount.

Government grants related to assets are those obtained for forming long-term assets by purchase, construction or acquisition in other ways. Grants related to income are government grants other than those related to assets.

Government grants related to assets are offset against the carrying amount of the related assets, or recognised as deferred income and amortised to profit or loss over the useful life of the related assets in a reasonable and systematic manner; for government grants related to income, where the grants are compensations for related expenses or losses to be incurred by the Group in subsequent periods, the grants are recognised as deferred income, and included in profit or loss or offset against related expenses over the period in which the related expenses or losses are recognised; where the grants are compensations for related expenses or losses already incurred by the Group, the grants are recognised immediately in profit or loss for the current period or offset against related expenses; government grants of the same category apply the same presentation method, with the grants related to ordinary activities being included in operating profit and the grants unrelated to ordinary activities being included in non-operating income and expenses.

(25) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(25) Deferred tax assets and deferred tax liabilities (Continued)

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

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and liabilities are offset when:

- the deferred taxes are related to the same tax payer within the Group and the same taxation authority; and,
- that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

(26) Leases

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. An operating lease is a lease other than a finance lease.

(a) Operating leases

Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets, or charged as an expense for the current period.

Lease income under an operating lease is recognised on a straight-line basis over the period of the lease.

(b) Finance leases

The leased asset is recognised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognised finance charge and is amortised using the effective interest method over the period of the lease. A long-term payable is recorded at the amount equal to the minimum lease payments less the unrecognised finance charge.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(27) Held for sale and discontinued operations

A non-current asset or a disposal group is classified as held for sale when both of the following conditions are satisfied: (1) the non-current asset or the disposal group is available for immediate sale in its present condition subject to usual practices for sale of such non-current asset or disposal group; (2) the Group has signed a legal binding sale agreement with other parties and has obtained appropriate approval, and the sale is to be completed within one year.

Non-current assets (except for financial assets, investment properties at fair value and deferred tax assets) that meet the recognition criteria for held for sale are recognised at the amount equal to the lower of the fair value less costs to sell and the carrying amount. Any excess of the original carrying amount over the fair value less the costs to sell is recognised as asset impairment losses.

Such non-current assets and assets/liabilities included in disposal groups as classified as held for sale are accounted for as current assets/liabilities, and are presented separately in the balance sheet.

A discontinued operation is a separately identified component of the Group that either has been disposed of or is classified as held for sale, and satisfies one of the following conditions: (1) represents a separate major line of business or geographical area of operations; (2) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; and (3) is a subsidiary acquired exclusively with a view to resale.

Profit or loss from the discontinued operations stated in the income statement includes the profit or loss arising from operation and disposal.

(28) Custodian business

Qingdao Port Finance Co., Ltd. (“Qingdao Finance”), a subsidiary of the Company, has custodian business mainly involving entrusted loan. Entrusted loan business refers to the business where under the entrusted loan agreement between Qingdao Finance and customer, Qingdao Finance offers loan (“entrusted loan”) to other party under instruction of customer from the fund (“entrusted loan fund”) provided by customer. As Qingdao Finance does not assume risk and reward incidental to the entrusted loan and associated entrusted loan fund, the entrusted loan and fund are recorded as off-balance sheet items by their capital, and no provision for impairment loss is made for such entrusted loan.

(29) Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to generate revenue and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group’s management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(30) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(a) Judgement on construction cost and completion timing of construction in progress

In practice, to judge whether terminal facilities is ready for intended use involves consideration of multiple important timing points, and as the duration of terminal facilities construction project is relatively long, the Group will transfer the portions of construction projects into fixed assets when they are ready for intended use; meanwhile, as the large number of projects involved in construction leading to longer time for completion settlement, completion settlement of projects ready for intended use may not be completed when brought forward to fixed assets. Therefore, the Group needs to judge and estimate completion progress, timing to reach its intended use and the cost of the construction-in-progress to be transferred to fixed assets where necessary. The estimates and judgements may cause difference between actual cost determined in completion settlement and the fixed asset cost estimated initially, hence impact the cost of fixed asset and the depreciation charge.

(b) Estimate on useful lives and residual values of fixed assets

The Group's management estimates the expected useful lives and residual values of fixed assets, and review them periodically. The estimates are based on the historical actual useful lives and industry practices of fixed assets with similar nature and function. In the processing of using fixed assets, the economic environment, technical environment and other environment may have a significant impact on the useful lives and expected net residual values of fixed assets; and also changes in the economic environment, technical environment and other environment may also lead significant changes in the expected realisation method of economic benefits related to fixed assets. If there are significant changes from previously estimated useful lives and residual values, the amount of depreciation expenses may change.

(c) Actuarial calculation of early retirement and supplemental retirement benefits

The liabilities recognised from early retirement and supplemental retirement benefits by the Group are calculated on an actuarial basis using a number of assumptions. The assumptions include discount rates, salaries and welfare growth rate, and mortality rates, etc. Any differences between the actual results and assumptions are accounted in the current period in accordance with relevant accounting policies. Although management considers their assumptions are reasonable, change of experience data and assumptions will affect the amounts of early retirement benefit and supplemental retirement benefits liabilities and other comprehensive income associated with supplemental retirement benefits of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(30) Critical accounting estimates and judgements (Continued)

(d) Estimate on provision for bad debts of receivables

The Group, based on current market conditions, estimates the historical experience of receivables ageing, customer financial conditions and collateral (if any). The Group regularly reviews the adequacy of provision for bad debts of receivables. If there is any change on assumption and estimate, revisions to the provisions of receivables would be required.

(31) Significant changes in accounting policies

In 2017, the Ministry of Finance issued CAS 42 “Non-current assets and disposal groups held for sale and discontinued operations” and CAS 16 “Government Grant” (revised). The Group has adopted both above standards in preparation of financial statements for the six months ended 30 June 2017. Financial statement items have been presented according to the above standards and the above standards have no material impact on the financial statements.

5 TAXATION

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

Category	Tax rate	Tax base
Enterprise income tax	25% and 15%	Taxable income
Value-added tax (“VAT”)	(a) 6%, 11%, 13% and 17%	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible input VAT of the current period)
Business tax	3% and 5%	Taxable revenue amount
Land use tax	(b) 3% and 5%	Taxable turnover amount
	RMB 3.5-13 per square meter per year	Actual size of the land occupied
City maintenance and construction tax	7%	Value added tax and business tax paid
Educational surcharge	3%	Value added tax and business tax paid

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

5 TAXATION (Continued)

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

(a) VAT

The Company and certain subsidiaries engage in sales of fuel, electromechanical equipment, concrete, electricity, water etc. and merchandise trade. And the Group also provides services like transportation, loading, port management, tugboat and ocean shipping tallying and leasing of tangible movable properties, etc. All of such services are subject to VAT. Within them, tax rate for sales of fuel, electromechanical equipment and electricity, merchandise trade as well as leasing of tangible movable properties is 17%, tax rate for sales of water is 13%, tax rate for sales of concrete, services like loading, port management, tugboat, ocean shipping tallying is 6%, tax rate for transport service is 11% and the “exempt, credit, refund” method applies to exported machinery with a refund rate of 17%.

Pursuant to *Comprehensively Promoting the Pilot Program of Replacing Business Tax with VAT* (Cai Shui [2016] No.36) jointly issued by the Ministry of Finance and the State Administration of Taxation, as from 1 May 2016, revenue from construction and installation projects provided by the Group, transfer of real estate like terminal, stockyard and land use rights, leases of real estate and providing loan service is subject to VAT. Among such services, tax rate for revenues from services of construction and installation projects, transfer of real estate like terminal, stockyard and land use rights and leasing of real estate is 11%; tax for revenue from transfer or leasing of real estate acquired before 30 April 2016 is calculated by simple tax calculation method and the tax rate is 5%; tax for revenue from providing construction services of the old projects that started before 30 April 2016 and armor projects can be calculated by the simple tax calculation method and the tax rate is 3%; tax rate for providing loans is 6%; tax rate for revenue from other services is 6%.

Moreover, revenue from re-sales of movable property like loading equipment and machinery bought before 31 December 2008, whose input VAT has not been deducted is subject to 3% VAT rate but is actually levied at 2%.

(b) Business tax

Before 30 April 2016, the Group’s revenue from construction and installation projects is subject to a business tax rate of 3%, and revenue from other services is subject to a business tax rate of 5%. Revenue from re-sales of real estate like terminal and stockyard is subject to a business tax rate of 5% based on the re-sale price; in the case of re-sales of land use rights, total revenue less the original price of land acquisition or assignment is subject to a business tax rate of 5%. Revenue from leases of real estate is subject to a business tax rate of 5%. As from 1 May 2016, aforesaid services formerly subject to business tax are subject to VAT in lieu.

The Group leases out certain land use rights, terminal facilities, storage facilities and other assets to related parties, such as Qingdao Qianwan Container Terminal Co., Ltd (“QQCT”), of which the rentals are collected in full amount and related business taxes are paid. Business tax prepaid are recorded into other non-current assets, and carried forward to the business tax item of taxes and surcharges based on leasing income recognised in every period.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

5 TAXATION (Continued)

(2) Tax preference

Income tax

In 2016, the Company's subsidiary Qingdao Port Technology Co., Ltd. ("Technology Company") received the Certificate of High-tech Enterprises (certificate No. GR201637100265) jointly issued by Qingdao Municipal Science and Technology Bureau, Qingdao Municipal Finance Bureau, Qingdao Provincial Office, SAT and Qingdao Local Taxation Bureau. The certificate is valid for 3 years. Under the relevant provisions of Article 28 of Law of the People's Republic of China on Enterprise Income Tax, the income tax rate applicable to Technology Company in 2016 and for the six months ended 30 June 2017 is 15%.

Pursuant to Cai Shui [2008] No.116 and Cai Shui [2008] No.46, Qingdao Port Dongjiakou Multi-purpose Terminal Co., Ltd. ("DMT") applied for public infrastructure project and obtained the *Filling List for Tax Issues regarding Corporate Income Tax* approved by Shandong Jiaonan Office of the State Administration of Taxation. DMT has been entitled to three years' exemption from corporate income tax followed by three years of 50% tax reduction since 2017.

Land use tax

For the six months ended 30 June 2017, according to Cai Shui [2012] No.13, Cai Shui [2015] No.98 and Cai Shui [2017] No.33, the Group's warehouse land for bulk commodities is subject to 50% tax reduction of land use tax.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	30 June 2017 (Unaudited)	31 December 2016
Cash on hand	25,484	18,004
Cash at bank	11,627,602,119	7,348,952,238
Other cash balances	822,417,027	751,324,189
	<u>12,450,044,630</u>	<u>8,100,294,431</u>

As at 30 June 2017, other cash balances include statutory deposit reserves in the People's Bank of China by Qingdao Finance amounted to RMB 793,900,435 (31 December 2016: RMB 739,658,005) according to relevant regulations, deposits for the issuance of bank acceptance notes amounted to RMB 23,593,752 (31 December 2016: RMB 8,105,300), deposits for the issuance of letter of credit amounted to RMB 4,245,400 (31 December 2016: RMB 3,560,884), and deposits for the issuance of letter of guarantee amounted to RMB 677,440 (31 December 2016: nil).

(2) Financial assets at fair value through profit or loss

	30 June 2017 (Unaudited)	31 December 2016
Wealth management products	<u>69,755,476</u>	—

As at 30 June 2017, financial assets at fair value through profit or loss mainly represent negotiable certificate of deposit purchased by Qingdao Finance, a subsidiary of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Notes receivable

	30 June 2017 (Unaudited)	31 December 2016
Bank acceptance notes	465,556,992	375,239,261
Trade acceptance notes	417,980,974	290,180,658
Less: Provision for bad debts	(54,618,545)	—
	<u>828,919,421</u>	<u>665,419,919</u>

As at 30 June 2017, the Group has no pledged acceptance notes (31 December 2016: the bank acceptance notes of RMB 66,244,274 was pledged to bank as collateral for the Group to apply for issuance of acceptance note with same amount (Note 6(19))).

As at 30 June 2017, notes receivable include unmatured trade acceptance notes with recourse of RMB 290,222,213 (31 December 2016: RMB 178,580,938) that have been discounted. The Group recognises the received discounted amount as short-term borrowings (Note 6(18)).

As at 30 June 2017, receivables of RMB 312,092,308 from Laiwu Jiuyang Fuli Ironworks Co., Ltd., Shandong Taishan Steel Group Co., Ltd. and Shandong Taitongda Logistics Co., Ltd. are collected in the form of trade acceptance notes. Because aforementioned receivables are of higher risk, the Company makes separate provisions for bad debts with individually significant amount for notes receivable of above companies, amounting to RMB 54,618,545.

(4) Accounts receivable and other receivables

(a) Accounts receivable

	30 June 2017 (Unaudited)	31 December 2016
Accounts receivable	1,519,401,273	1,394,218,334
Less: Provision for bad debts	(33,716,963)	(86,607,390)
	<u>1,485,684,310</u>	<u>1,307,610,944</u>

The Group's sales or services are partially made by cash, advances from customers, bank acceptance notes and trade acceptance notes. The remains are settled by providing credit terms from 30 to 90 days.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Accounts receivable and other receivables (Continued)

(a) Accounts receivable (Continued)

The ageing based on their recording dates of accounts receivable and related provision for bad debts are analysed below:

	30 June 2017 (Unaudited)			31 December 2016		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	1,428,289,708	94.00%	(9,051,455)	1,341,049,189	96.18%	(63,670,000)
1 to 2 years	60,298,318	3.97%	(3,577,049)	26,373,584	1.89%	(3,741,964)
2 to 3 years	18,200,984	1.20%	(10,281,221)	17,645,193	1.27%	(10,133,713)
3 to 4 years	3,491,051	0.23%	(1,745,526)	—	—	—
4 to 5 years	497,500	0.03%	(438,000)	526,655	0.04%	(438,000)
Over 5 years	8,623,712	0.57%	(8,623,712)	8,623,713	0.62%	(8,623,713)
	1,519,401,273	100.00%	(33,716,963)	1,394,218,334	100.00%	(86,607,390)

Accounts receivable are mainly recorded based on the date of transaction. The ageing of accounts receivable represented on their recording dates is basically the same as that represented based on the dates of invoice.

As at 30 June 2017, accounts receivable of RMB 472,248,923 (31 December 2016: RMB 400,645,704) are overdue. However, based on the analysis of the financial position and credit history of the customer, the Group believes this part of receivable can be recovered and are not impaired, thus no provisions for bad debts are individually made. The overdue ageing of this part of receivable is analysed as follows:

	30 June 2017 (Unaudited)	31 December 2016
Within 1 year	389,968,172	356,307,374
1 to 2 years	59,283,055	25,052,770
2 to 3 years	10,385,433	10,135,193
3 to 4 years	3,491,051	—
4 to 5 years	497,500	526,655
Over 5 years	8,623,712	8,623,712
	472,248,923	400,645,704

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Accounts receivable and other receivables (Continued)

(a) Accounts receivable (Continued)

Accounts receivable are analysed by customers categories as follows:

	30 June 2017 (Unaudited)			31 December 2016		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Related parties	402,667,589	26.50%	—	260,113,280	18.66%	—
Third parties	1,116,733,684	73.50%	(33,716,963)	1,134,105,054	81.34%	(86,607,390)
	1,519,401,273	100.00%	(33,716,963)	1,394,218,334	100.00%	(86,607,390)

(b) Other receivables

	30 June 2017 (Unaudited)	31 December 2016
Loans provided to related parties and third parties (i)	514,824,988	302,212,076
Receivables of agent procurement (ii)	239,513,164	137,918,064
Agent construction project expenditures receivables (iii)	215,461,491	196,841,038
Port construction fees receivable (iv)	98,142,127	62,592,722
Deposits and guarantees	44,468,390	45,786,153
Assets transfer receivables	—	6,284,006
Payment for government bonds reverse repo agreements (v)	—	80,410,517
Others	54,441,213	42,479,345
	1,166,851,373	874,523,921
Less: Provision for bad debts	(16,736,737)	(13,183,652)
	1,150,114,636	861,340,269

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Accounts receivable and other receivables (Continued)

(b) Other receivables (Continued)

(i) As at 30 June 2017, loans provided to related parties and third parties comprise:

- Total loans of RMB 190,800,000 provided by Qingdao Finance to related parties - Qingdao Port Dongjiakou Ore Terminal Co., Ltd. (“QDOT”), Qingdao Qianwan West Port United Terminal Co., Ltd. (“West United”), Qingdao New Qianwan Container Co., Ltd. (“QQCTN”), Qingdao Port Yantai Logistics Co., Ltd. (“Yantai Logistics”) and Qingdao Fuwai Cardiovascular Hospital Co., Ltd. (“Fuwai Hospital”) are matured within one year, among which the loan of RMB 10,000,000 to Fuwai Hospital is calculated at fixed interest of 4.35%, and the other loans are calculated at floating interests based on bank loan benchmark interest rate with corresponding period; bills discount for QDOT and Qingdao Haiwan Liquid Chemical Port Operation Co., Ltd. (“Haiwan Liquid Chemical”) amounted to RMB 124,024,988; and the placement to Bank of Guangzhou Co., Ltd. amounted to RMB 200,000,000 with maturity of 14 days at annual interest rate of 3.8%.

As at 31 December 2016, loans provided to related parties comprise:

- Total loans of RMB 130,760,674 provided by Qingdao Finance to related parties - QDOT, West United, QQCTN, Yantai Logistics and Haiwan Liquid Chemical respectively with maturity within one year and interest calculated based on bank loan benchmark interest rate with corresponding period; and bills discount for QDOT amounted to RMB 111,451,402;
 - Entrusted loan of RMB 60,000,000 provided by the Company to the related party - Huaneng Qingdao Port Operation Co., Ltd. (“Huaneng Qingdao”), with maturity within one year and interest calculated based on bank loan benchmark interest rate downwards by 3% with corresponding period.
- (ii) Receivables of agent procurement are paid by the Group on behalf of clients for agent purchase of goods.
- (iii) Agent construction project expenditures receivables are mainly amounts receivables from related parties QQCTN, Qingdao Qianwan United Container Terminal Co., Ltd. (“QQCTU”) and Qingdao Shihua Crude Oil Terminal Co., Ltd. (“Qingdao Shihua”).
- (iv) Port construction fees receivable represents receivable from customers collected on behalf in accordance with the Administrative Measures for the Collection and Use of Port Construction Fees jointly issued by the Ministry of Finance and the Ministry of Transport.
- (v) Payment for government bonds reverse repo agreements is the government bonds reverse repo products purchased by Qingdao Port Assets Management Co., Ltd. (“Assets Management Company”) from Shanghai Stock Exchange. As at 31 December 2016, the products was not matured, and as at 30 June 2017, all principal and interests are withdrawn.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Accounts receivable and other receivables (Continued)

(b) Other receivables (Continued)

Other receivables and related provision for bad debts are analysed below:

	30 June 2017 (Unaudited)			31 December 2016		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	1,127,620,869	96.64%	(6,190,000)	852,282,997	97.45%	(2,814,505)
1 to 2 years	21,137,255	1.81%	(76,002)	9,088,546	1.04%	(21,407)
2 to 3 years	17,624,222	1.51%	(10,464,897)	12,730,071	1.46%	(10,347,740)
3 to 4 years	414,514	0.04%	(5,838)	399,307	0.05%	—
4 to 5 years	31,513	0.00%	—	3,000	0.00%	—
Over 5 years	23,000	0.00%	—	20,000	0.00%	—
	1,166,851,373	100.00%	(16,736,737)	874,523,921	100.00%	(13,183,652)

As at 30 June 2017, provision for bad debts includes provision of RMB 6,190,000 (31 December 2016: RMB 2,814,505) for loan losses made by Qingdao Finance based on customer credit rating according to the Order of China Banking Regulatory Commission ([2011] No.4).

As at 30 June 2017, other receivables of RMB 39,230,504 (31 December 2016: RMB 22,240,924) with ageing over one year are overdue. However, based on analysis on customer financial condition and past credit record, the Group makes provision for bad debts of RMB 10,546,737 (31 December 2016: RMB 10,369,147). The remaining receivable is considered recoverable and not impaired, thus no provisions for bad debts are made.

(5) Advances to suppliers

	30 June 2017 (Unaudited)		31 December 2016	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	77,888,713	85.63%	55,469,780	93.95%
1 to 2 years	13,072,618	14.37%	1,795,831	3.04%
2 to 3 years	—	—	—	—
3 to 4 years	—	—	1,778,327	3.01%
	90,961,331	100.00%	59,043,938	100.00%

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(6) Inventories

(a) Inventories are summarised by categories as follows:

	30 June 2017 (Unaudited)			31 December 2016		
	Ending balance	Provision	Carrying amount	Ending balance	Provision	Carrying amount
Amount due from customers for construction contract (i)	440,120,957	—	440,120,957	399,026,059	—	399,026,059
Materials and finished goods	56,485,772	—	56,485,772	59,989,731	—	59,989,731
Spare parts	3,559,812	—	3,559,812	5,850,961	—	5,850,961
Fuel	4,586,770	—	4,586,770	4,051,352	—	4,051,352
Others	15,843,119	—	15,843,119	13,276,951	—	13,276,951
	<u>520,596,430</u>	<u>—</u>	<u>520,596,430</u>	<u>482,195,054</u>	<u>—</u>	<u>482,195,054</u>

(i) Amount due from customers for construction contract

	30 June 2017 (Unaudited)	31 December 2016
Accumulated cost recognised	2,210,268,403	2,563,173,443
Add: Accumulated gross profits recognised	198,709,044	198,908,389
Less: Accumulated amounts settled	(1,968,856,490)	(2,363,055,773)
	<u>440,120,957</u>	<u>399,026,059</u>

(b) Changes in ending balances of inventories for current period are analysed as follows:

	31 December 2016	Increase in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2017 (Unaudited)
Amount due from customers for construction contract	399,026,059	463,016,891	(421,921,993)	440,120,957
Materials and finished goods	59,989,731	409,898,956	(413,402,915)	56,485,772
Spare parts	5,850,961	9,927,610	(12,218,759)	3,559,812
Fuel	4,051,352	137,458,869	(136,923,451)	4,586,770
Others	13,276,951	31,127,031	(28,560,863)	15,843,119
	<u>482,195,054</u>	<u>1,051,429,357</u>	<u>(1,013,027,981)</u>	<u>520,596,430</u>

(c) As at 30 June 2017 and 31 December 2016, the management of the Group are of the view that there is no indication that the inventories may be impaired, therefore no provision for decline in the value of inventories is recorded.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(7) Other current assets

	30 June 2017 (Unaudited)	31 December 2016
Available-for-sale financial assets (Note 6(8))	720,000,000	870,000,000
VAT input to be deducted	384,634,134	282,847,206
VAT input to be verified	2,030,864	34,716,158
VAT prepaid	—	9,851,578
	<u>1,106,664,998</u>	<u>1,197,414,942</u>

(8) Available-for-sale financial assets

	30 June 2017 (Unaudited)	31 December 2016
Measured at cost		
– Available-for-sale equity instruments (i)	<u>72,207,877</u>	<u>72,207,877</u>
Measured at fair value		
– Wealth management products (ii)	740,000,000	890,000,000
Less: Available-for-sale financial assets included in other current assets (Note 6(7))	<u>(720,000,000)</u>	<u>(870,000,000)</u>
	<u>92,207,877</u>	<u>92,207,877</u>

- (i) Available-for-sale equity instruments measured at cost represents unlisted equity investments held by the Group in Shandong Binhai Hongrun Pipeline Logistics Co., Ltd., Sinopec Qingdao Liquefied Natural Gas Co., Ltd. and Sanya Yalong Bay Development Co., Ltd. over which the Group has no control, joint control or significant influence. These investments are not quoted in an active market and their fair value cannot be reliably measured as the reasonable estimates of fair value vary in a broad range and probabilities used to determine the reasonable estimates of fair value cannot be fairly determined. The Group has no plan to dispose these investments.
- (ii) Available-for-sale financial assets measured at fair value represent the wealth management products purchased from the state-owned banks and other financial institutes by the Group, in which wealth management products to be matured within one year are included in other current assets. As at 30 June 2017 and 31 December 2016, the carrying amount approximated the fair value. The fair value is based on cash flow discounted using the expected return based on management judgement and are within level 3 of the fair value hierarchy.

As at 30 June 2017, the maximum exposure to credit risk of the wealth management products classified as available-for-sale financial assets is the carrying value.

None of these available-for-sale financial assets is either past due or impaired.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9) Long-term receivables

	30 June 2017 (Unaudited)	31 December 2016
Loans provided to related parties and a third party (i)	3,979,565,416	3,822,653,667
Less: Current portion	(549,115,268)	(308,433,660)
Others	3,120,652	3,454,309
	3,433,570,800	3,517,674,316
Loan impairment provision	(40,939,237)	(39,558,224)
Less: Loan impairment provision due within one year	12,229,937	6,417,900
	(28,709,300)	(33,140,324)
	3,404,861,500	3,484,533,992

(i) As at 30 June 2017, loans provided to related parties and a third party comprise:

- Long-term loans of RMB 1,971,559,366 are provided by Qingdao Finance to related parties - QQCTU, QQCTN, QDOT, Weihai Qingwei Container Terminal Co., Ltd. (“Qingwei Container”), West United, Haiwan Liquid Chemical, Yuntai Logistics and Fuwai Hospital, among which RMB 750,000 and RMB 199,000,000 of loans to QQCTN and QDOT are issued with fixed interest rates of 6.15% and 4.28% respectively, while interest of the remaining loans are calculated based on the corresponding bank loan benchmark interest rate.
- Long-term pledged loans of RMB 373,006,050 are provided by Qingdao Port International Financial Leasing Co., Ltd. (“Qingdao Leasing”), a subsidiary of the Company, to related parties - QDOT, West United, QQCT, Fuwai Hospital and one third party - Jiangshu Shuolong Ocean Shipping Co., Ltd in the form of finance leases.
- Long-term entrusted loans of RMB 1,635,000,000 are provided by the Company to related parties - QQCTU, QQCTN and QDOT respectively, among which RMB 675,000,000 and RMB 520,000,000 of loans to QQCTU and QDOT are issued with fixed interest rates of 4.28% and RMB 350,000,000 of loans to QQCTN is issued with fixed interest rates of 4.75%, while interest of the remaining loans is calculated based on the corresponding bank loan benchmark interest rate.

RMB 549,115,268 out of these loans that will be recoverable within one year and the associated provision for loan impairment of RMB 12,229,937 is presented as the current portion of non-current assets.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9) Long-term receivables (Continued)

(i) As at 31 December 2016, loans provided to related parties comprise:

- Long-term loans of RMB 1,872,543,711 are provided by Qingdao Finance to related parties - QQCTU, QQCTN, QDOT, Qingwei Container, West United, Haiwan Liquid Chemical and Yuntai Logistics, among which RMB 800,000 and RMB 199,500,000 of loans to QQCTN and QDOT are issued with fixed interest rates of 6.15% and 4.28% respectively, while interest of the remaining loans are calculated based on the corresponding bank loan benchmark interest rate.
- Long-term pledged loans of RMB 315,109,956 are provided by Qingdao Leasing, a subsidiary of the Company, to related parties - QDOT, West United and Fuwai Hospital in the form of finance leases.
- Long-term entrusted loans of RMB 1,635,000,000 are provided by the Company to related parties - QQCTU, QQCTN and QDOT respectively, among which RMB 675,000,000 and RMB 520,000,000 of loans to QQCTU and QDOT are issued with fixed interest rates of 4.28% and RMB 350,000,000 of loans to QQCTN is issued with fixed interest rates of 4.75%, while interest of the remaining loans is calculated based on the corresponding bank loan benchmark interest rate.

RMB 308,433,660 out of these loans that will be recoverable within one year and the associated provision for loan impairment of RMB 6,417,900 is presented as the current portion of non-current assets.

(10) Long-term equity investments

	30 June 2017 (Unaudited)	31 December 2016
Joint ventures (a)	7,961,977,128	5,043,014,093
Associates (b)	153,542,474	96,025,707
	<u>8,115,519,602</u>	<u>5,139,039,800</u>

As at 30 June 2017 and 31 December 2016, the Group's management considers there is no indication that the long-term equity investments may be impaired, therefore no provision for impairment is required.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(10) Long-term equity investments (Continued)

(a) Joint ventures

Investments in joint ventures are set out below:

	Movements for the current period (Unaudited)							30 June 2017 (Unaudited)
	31 December 2016	Additional investment	Decrease in investment	Share of net profit/(loss) under equity method	Share of other changes in equity	Cash dividends/ profit declared	Intra-group unrealised profit	
QQCT (i)	1,962,402,552	3,198,650,840	—	293,887,760	3,107,332	(617,988,772)	—	4,840,059,712
Qingdao Shihua	1,301,393,915	—	—	137,685,418	1,554,688	—	3,991,879	1,444,625,900
West United	333,514,519	—	—	12,610,846	282,768	—	945,857	347,353,990
Qingwei Container	124,126,292	—	—	10,376,288	185,958	—	—	134,688,538
Vopak Logistics (Qingdao) Co., Ltd. ("Vopak Logistics") (ii)	143,859,420	—	(143,837,384)	(22,036)	—	—	—	—
Qingdao Evergreen Container Storage&Transportation Co., Ltd. ("Evergreen Container")	46,883,833	—	—	10,299,752	187,563	(18,688,022)	—	38,683,126
Qingdao Orient International Container Storage and Transportation Co., Ltd. ("Orient Container")	37,729,321	—	—	4,021,182	—	(7,463,017)	—	34,287,486
Haiwan Liquid Chemical	145,008,179	—	—	(797,804)	7,363	—	—	144,217,738
Qingdao Ganghai International Logistics Co., Ltd. ("Ganghai Logistics")	13,811,148	—	—	(354,929)	—	—	—	13,456,219
Qingdao Shenzhouxing International Transportation Co., Ltd. ("Shenzhouxing Transportation")	17,918,079	—	—	6,431,074	—	—	—	24,349,153
China Shipping Agency (Qingdao) Co., Ltd. ("China Shipping Agency")	10,556,789	—	—	751,888	—	—	—	11,308,677
Qingdao United International Shipping Agency Co., Ltd. ("United Shipping Agency")	39,310,878	—	—	5,945,356	—	(11,851,212)	—	33,405,022
Huaneng Qingdao	172,974,921	—	—	(8,933,808)	—	—	—	164,041,113
Qingdao Port Dongjiakou IMC Logistics Co., Ltd. ("Dongjiakou IMC Logistics")	151,547,632	—	—	19,518,515	—	—	—	171,066,147
QDOT	462,022,894	—	—	13,639,818	—	—	—	475,662,712
Qingdao Port Express Logistics (Linyi) Co., Ltd. ("Linyi Express")	3,857,468	—	—	162,774	—	—	—	4,020,242
Henan Yuqing International Logistics Co., Ltd. ("Henan Yuqing")	2,489,520	—	—	(59,455)	—	—	—	2,430,065
Sinotrans Qingdao Port Dongjiakou Logistics Co., Ltd. ("Dongjiakou Sinotrans Logistics")	48,830,228	—	—	(160,559)	—	—	—	48,669,669
Yantai Logistics	15,290,768	—	—	456,214	—	—	—	15,746,982
Binzhou Port QDP International Terminal Co., Ltd. ("Binzhou Port QDP International Terminal")	2,349,905	—	—	2,696,875	83,436	—	—	5,130,216
Qingdao Port Lianrong Logistics Co., Ltd. (Lianrong Logistics)	7,135,832	—	—	1,638,589	—	—	—	8,774,421
	<u>5,043,014,093</u>	<u>3,198,650,840</u>	<u>(143,837,384)</u>	<u>509,793,758</u>	<u>5,409,108</u>	<u>(655,991,023)</u>	<u>4,937,736</u>	<u>7,961,977,128</u>

Information on equity in joint ventures is set out in Note 8(2).

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(10) Long-term equity investments (Continued)

(a) Joint ventures (Continued)

- (i) As stated in Note 1, the Company has issued 1,015,520,000 domestic shares to Shanghai China Shipping Terminal on 22 May 2017 at the subscription price of RMB 5.71 per share and the total subscription amounted to RMB 5,798,619,200. Shanghai China Shipping Terminal paid in cash of RMB 2,599,968,360 and 20% of its equity interest of QQCT evaluating as RMB 3,198,650,840. As at 30 June 2017, the Company holds 51% equity interest of QQCT. In accordance with the Articles of Association of QQCT, its significant financial and operating decisions should be passed at the Meeting of Board of Directors by at least 10 out of 11 directors. The Company still cannot unilaterally implement control over QQCT, so QQCT is still accounted for as a joint venture.
- (ii) On 5 May 2017, the Company contributed RMB 152,027,521 to acquire 50% equity interest of Vopak Terminal DJK B.V. held in Vopak Logistics, which constitutes a business combination involving enterprises not under common control. For details, please refer to Note 7(1).

(b) Associates

Investments in associates are set out below:

	Movements for the current period (Unaudited)				30 June 2017 (Unaudited)
	31 December 2016	Additional investment	Share of net profit/(loss) under equity method	Profit declared	
Qingdao Ganghua Logistics Co., Ltd. ("Ganghua Logistics")	6,025,707	—	707,660	(1,125,301)	5,608,066
Qingdao Qingyin Financial Leasing Co., Ltd. ("Qingyin Financial Leasing")	90,000,000	—	543,934	—	90,543,934
Vado Investment (i)	—	57,390,474	—	—	57,390,474
	<u>96,025,707</u>	<u>57,390,474</u>	<u>1,251,594</u>	<u>(1,125,301)</u>	<u>153,542,474</u>

- (i) For the six months ended 30 June 2017, the Company's subsidiary - International Development acquired 16.5% equity interest of Vado Investment from APM Terminals B.V. by cash of EUR 1,745,370, and designated a director to the Board. At the same time, International Development contributed EUR 6,123,561 in cash to increase capital in Vado Investment, together with other shareholders at equal proportion.

Information on equity in associates is set out in Note 8(2).

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Investment properties

	Buildings	Land use rights	Total
Cost			
31 December 2016	36,788,315	89,554,533	126,342,848
Acquisition and construction in the current period (Unaudited)	1,428,672	—	1,428,672
Transfer from intangible assets (Unaudited)	—	65,748,335	65,748,335
30 June 2017 (Unaudited)	<u>38,216,987</u>	<u>155,302,868</u>	<u>193,519,855</u>
Accumulated depreciation			
31 December 2016	(3,879,716)	(4,619,664)	(8,499,380)
Increase in the current period (Unaudited)	(678,168)	(1,568,471)	(2,246,639)
Transfer from intangible assets (Unaudited)	—	(5,052,569)	(5,052,569)
30 June 2017 (Unaudited)	<u>(4,557,884)</u>	<u>(11,240,704)</u>	<u>(15,798,588)</u>
Net book value			
30 June 2017 (Unaudited)	<u>33,659,103</u>	<u>144,062,164</u>	<u>177,721,267</u>
31 December 2016	<u>32,908,599</u>	<u>84,934,869</u>	<u>117,843,468</u>

As at 30 June 2017, the management of the Group are of the view that there is no indication that the investment properties may be impaired, therefore no provision for impairment is recorded (31 December 2016: nil).

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(12) Fixed assets

	Buildings	Terminal facilities	Storage facilities	Loading equipment	Machinery and equipment	Vessels	Motor vehicles	Communication facilities	Office equipment and others	Total
Cost										
31 December 2016	448,340,216	8,000,988,642	3,966,687,359	2,815,785,676	666,267,652	1,294,960,860	96,361,630	119,943,045	61,062,259	17,470,397,339
Transfers from construction in progress (Unaudited)	—	32,287,184	108,735,359	254,065	35,406,042	—	—	—	62,000	176,744,650
Business combinations involving enterprises not under common control (Unaudited)	—	—	—	—	—	—	253,281	490	2,141	255,912
Purchase in the current period (Unaudited)	30,499,903	1,391,814	15,983	538,034	2,970,038	23,504,274	2,270,453	6,587,077	2,628,928	70,406,504
Decrease in the current period (Unaudited)	(1,369,923)	—	—	(15,842,831)	(388,906)	(27,600)	(597,850)	(111,412)	(64,050)	(18,402,572)
30 June 2017 (Unaudited)	<u>477,470,196</u>	<u>8,034,667,640</u>	<u>4,075,438,701</u>	<u>2,800,734,944</u>	<u>704,254,826</u>	<u>1,318,437,534</u>	<u>98,287,514</u>	<u>126,419,200</u>	<u>63,691,278</u>	<u>17,699,401,833</u>
Accumulated depreciation										
31 December 2016	(171,689,596)	(1,714,278,488)	(545,095,581)	(2,192,577,816)	(486,816,672)	(511,145,216)	(63,555,642)	(69,340,670)	(30,914,678)	(5,785,414,359)
Increase in the current period (Unaudited)	(7,883,254)	(81,062,912)	(70,367,891)	(53,323,696)	(20,561,740)	(27,063,791)	(4,450,900)	(7,977,586)	(4,546,283)	(277,238,053)
Decrease in the current period (Unaudited)	149,855	—	—	14,753,588	387,627	—	595,250	111,412	57,758	16,055,490
30 June 2017 (Unaudited)	<u>(179,422,995)</u>	<u>(1,795,341,400)</u>	<u>(615,463,472)</u>	<u>(2,231,147,924)</u>	<u>(506,990,785)</u>	<u>(538,209,007)</u>	<u>(67,411,292)</u>	<u>(77,206,844)</u>	<u>(35,403,203)</u>	<u>(6,046,596,922)</u>
Net book value										
30 June 2017 (Unaudited)	<u>298,047,201</u>	<u>6,239,326,240</u>	<u>3,459,975,229</u>	<u>569,587,020</u>	<u>197,264,041</u>	<u>780,228,527</u>	<u>30,876,222</u>	<u>49,212,356</u>	<u>28,288,075</u>	<u>11,652,804,911</u>
31 December 2016	<u>276,650,620</u>	<u>6,286,710,154</u>	<u>3,421,591,778</u>	<u>623,207,860</u>	<u>179,450,980</u>	<u>783,815,644</u>	<u>32,805,988</u>	<u>50,602,375</u>	<u>30,147,581</u>	<u>11,684,982,980</u>

For the sixth months ended 30 June 2017, the amounts of depreciation expenses charged to cost of sales and general and administrative expenses were RMB 265,613,659 and RMB 11,624,394 respectively (for the sixth months ended 30 June 2016: RMB 215,810,903 and RMB 9,578,915).

As at 30 June 2017, the Company considered there was no indication that the fixed assets may be impaired, therefore no provision for impairment was required (31 December 2016: nil).

For the sixth months ended 30 June 2017, the costs of fixed assets transferred from construction in progress amount to RMB 176,744,650 (for the sixth months ended 30 June 2016: RMB 367,345,703).

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(12) Fixed assets (Continued)

As at 30 June 2017 and 31 December 2016, the carrying amounts of fixed assets lent out through operating leases of the Group are analysed as follows:

30 June 2017 (unaudited)	Cost	Accumulated depreciation	Net book value
Terminal facilities	2,187,267,266	(204,808,021)	1,982,459,245
Storage facilities	778,997,562	(72,247,266)	706,750,296
Buildings	26,984,361	(4,640,132)	22,344,229
Other equipment	93,923	(86,194)	7,729
	<u>2,993,343,112</u>	<u>(281,781,613)</u>	<u>2,711,561,499</u>

31 December 2016	Cost	Accumulated depreciation	Net book value
Terminal facilities	1,819,979,555	(165,478,848)	1,654,500,707
Storage facilities	778,997,562	(61,926,228)	717,071,334
Buildings	26,984,361	(3,977,256)	23,007,105
Other equipment	93,923	(86,194)	7,729
	<u>2,626,055,401</u>	<u>(231,468,526)</u>	<u>2,394,586,875</u>

(13) Construction in progress

Project name	31 December 2016	Increase in the current period (Unaudited)	Business combinations involving enterprises not under common control (i) (Unaudited)	Transfer to fixed assets (Unaudited)	30 June 2017 (Unaudited)	Accumulative amount of capitalised borrowing costs (Unaudited)	Including: Borrowing costs capitalised in current period (Unaudited)	Capitalisation rate in the current period (Unaudited)
Dongjiakou stevedoring, storage and transportation projects for liquid bulk cargo	1,387,901,243	902,622,345	301,102,467	(71,475,601)	2,520,150,454	—	—	—
Dongjiakou berth project for bulk and general cargo	531,475,600	136,982,171	—	(104,531,385)	563,926,386	28,580,948	1,462,325	4.9%
Dongjiakou stockyard project	137,489,148	116,868,173	—	(567,853)	253,789,468	—	—	—
Other Dongjiakou projects	100,983,163	450,168	—	—	101,433,331	—	—	—
Other projects	14,908,164	12,290,633	—	(169,811)	27,028,986	—	—	—
	<u>2,172,757,318</u>	<u>1,169,213,490</u>	<u>301,102,467</u>	<u>(176,744,650)</u>	<u>3,466,328,625</u>	<u>28,580,948</u>	<u>1,462,325</u>	

- (i) As stated in Note 7(1) (c), as at 5 May 2017, the Group acquired 50% of equity interests of Vopak Logistics, which became a wholly-owned subsidiary of the Group. The fair value of the construction in progress of Vopak Logistics at the date of acquisition amounted to RMB 301,102,467.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(14) Intangible assets

	Land use rights	Software	Sea area use rights	Others	Total
Cost					
31 December 2016	827,537,170	44,923,177	116,297,540	50,178,663	1,038,936,550
Increase in the current period (Unaudited)					
Acquisition	6,029,561	6,014,970	—	—	12,044,531
Decrease in the current period (Unaudited)					
Transfer to investment property	(65,748,335)	—	—	—	(65,748,335)
30 June 2017 (Unaudited)	767,818,396	50,938,147	116,297,540	50,178,663	985,232,746
Accumulated amortisation					
31 December 2016	(48,356,937)	(26,852,019)	(3,160,119)	(29,150,710)	(107,519,785)
Increase in the current period (Unaudited)					
Provision	(7,202,139)	(2,901,447)	(1,582,348)	(1,609,723)	(13,295,657)
Decrease in the current period (Unaudited)					
Transfer to investment property	5,052,569	—	—	—	5,052,569
30 June 2017 (Unaudited)	(50,506,507)	(29,753,466)	(4,742,467)	(30,760,433)	(115,762,873)
Book value					
30 June 2017 (Unaudited)	717,311,889	21,184,681	111,555,073	19,418,230	869,469,873
31 December 2016	779,180,233	18,071,158	113,137,421	21,027,953	931,416,765

For the six months ended 30 June 2017, the amortisation of intangible assets amounted to RMB 13,295,657 (for the six months ended 30 June 2016: RMB 12,203,216).

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(15) Other non-current assets

	30 June 2017 (Unaudited)	31 December 2016
Taxes prepaid for Port Facilities rental income (i)	192,568,274	198,276,587
Less: Current portion	(11,613,049)	(11,613,049)
Foundation oil (ii)	154,502,225	154,502,225
Construction and equipment expenditures prepaid	115,380,667	131,958,870
	<u>450,838,117</u>	<u>473,124,633</u>

(i) The Group lease out certain land use rights, terminal facilities, storage facilities and other assets (collectively “Port Facilities”) in Qianwan Port Area to QQCT, a joint venture of the Group. The Company had received the taxes prepaid for rental income in full, with a lease term of 30 years. By the end of 2010, the Group had received the rental payments in full. The Group calculates the business tax and surcharges relating to the amounts received and recorded them as other non-current assets, and the current portion of which is presented as the current portion of non-current assets.

(ii) For the year ended 31 December 2016, the Company’s subsidiary Qingdao Haiye Mercuria Oil Terminal Co., Ltd. (“Mercuria Oil Terminal”) started operation. For the purpose of production, some crude oil was purchased and filled in the crude oil pipeline and tanks, so as to ensure the precision of oil product metering and increase the tank pressure for production safety.

(16) Provision for asset impairment

	31 December 2016	Increase in the current period (Unaudited)	Decrease in the current period (Unaudited)		30 June 2017 (Unaudited)
			Reversal	Write-off	
Provision for bad debts	139,349,266	59,552,643	(52,890,427)	—	146,011,482
Including: Provision for bad debts					
of accounts receivable	86,607,390	—	(52,890,427)	—	33,716,963
Provision for bad debts of other receivables	13,183,652	3,553,085	—	—	16,736,737
Provision for bad debts of long-term receivables	39,558,224	1,381,013	—	—	40,939,237
Bad debts of notes receivable	—	54,618,545	—	—	54,618,545
	<u>139,349,266</u>	<u>59,552,643</u>	<u>(52,890,427)</u>	<u>—</u>	<u>146,011,482</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(17) Deferred tax assets and deferred tax liabilities

(a) Deferred assets before offsetting

	30 June 2017 (Unaudited)		31 December 2016	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Evaluation appreciation	3,041,907,248	760,476,812	3,084,657,361	771,164,340
Early retirement benefits	116,050,000	29,012,500	134,540,000	33,635,000
Elimination of intra-group unrealised profit	242,048,684	60,512,171	215,264,620	53,816,155
Provision for asset impairment	137,915,603	34,478,901	129,318,348	32,329,587
Accrued expenses	29,477,428	7,369,357	2,283,097	570,774
	3,567,398,963	891,849,741	3,566,063,426	891,515,856
Including:				
Expected to be recovered within one year (inclusive)		39,731,192		33,892,832
Expected to be recovered after one year		852,118,549		857,623,024
		891,849,741		891,515,856

(b) Deferred tax liabilities before offsetting

	30 June 2017 (Unaudited)		31 December 2016	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Business combinations involving enterprises not under common control	93,595,292	23,398,823	77,678,382	19,419,596
Including:				
Expected to be recovered within one year (inclusive)		622,401		441,354
Expected to be recovered after one year		22,776,422		18,978,242
		23,398,823		19,419,596

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(17) Deferred tax assets and deferred tax liabilities (Continued)

(c) The net balances of deferred tax assets after offsetting are as follows:

	30 June 2017 (Unaudited)	31 December 2016
Deferred tax assets, net	<u>868,450,918</u>	<u>872,096,260</u>

(18) Short-term borrowings

	Currency	30 June 2017 (Unaudited)	31 December 2016
Secured	RMB	327,432,112	202,947,290
Unsecured	RMB	<u>6,775,000</u>	<u>60,000,000</u>
		<u>334,207,112</u>	<u>262,947,290</u>

(a) As at 30 June 2017, secured borrowings of RMB 327,432,112 (31 December 2016: RMB 202,947,290) comprise the borrowings obtained by discounting trade acceptance notes amounted to RMB 290,222,213 (31 December 2016: RMB 178,580,938) (Note 6(3)), the repurchased rediscount of the bank acceptance applied for by Qingdao Finance from the People's Bank of China amounted to RMB 37,209,899 (31 December 2016: RMB 15,881,000); as at 30 June 2017, the Group has no borrowings pledged by letter of credit (31 December 2016: RMB 8,485,352).

(b) As at 30 June 2017, the interest rate of short-term borrowings ranges from 2.25% to 6.3% (31 December 2016: from 3.92% to 5.42%).

(19) Notes payable

	30 June 2017 (Unaudited)	31 December 2016
Trade acceptance notes	250,665,076	94,715,335
Bank acceptance notes	<u>1,079,565,676</u>	<u>722,903,838</u>
	<u>1,330,230,752</u>	<u>817,619,173</u>

As at 30 June 2017, the Group has no pledged acceptance notes (31 December 2016: RMB 66,244,274 were issued with bank acceptance notes receivable of the same amount as collateral) (Note 6(3)).

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(20) Accounts payable

The ageing of accounts payable based on their recording dates is analysed as follows:

	30 June 2017 (Unaudited)	31 December 2016
Within 3 months	597,438,168	469,177,439
3 to 6 months	226,810,654	296,884,626
Over 6 months	591,003,634	359,774,957
	<u>1,415,252,456</u>	<u>1,125,837,022</u>

Accounts payable are mainly recorded based on the date of transaction. The ageing of accounts payable represented on their recording dates is basically the same as that represented based on the dates of invoice.

(21) Employee benefits payable

	30 June 2017 (Unaudited)	31 December 2016
Short-term employee benefits payable (a)	66,597,398	69,085,235
Defined contribution plans payable (b)	2,517,098	20,671,748
Termination benefits payable (c)	26,210,000	26,210,000
Defined benefit plans payable (d)	111,090,000	111,090,000
	<u>206,414,496</u>	<u>227,056,983</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(21) Employee benefits payable (Continued)

(a) Short-term employee benefits

	31 December 2016	Increase in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2017 (Unaudited)
Wages and salaries, bonus, allowances and subsidies	54,048,064	442,798,903	(453,761,095)	43,085,872
Employee welfare	151,600	39,488,907	(29,648,114)	9,992,393
Social security contributions	3,451	42,838,925	(42,835,020)	7,356
Including: Medical insurance	2,729	35,798,272	(35,794,812)	6,189
Work injury insurance	497	3,142,928	(3,142,467)	958
Maternity insurance	225	3,897,725	(3,897,741)	209
Housing fund	2,699	45,359,896	(45,330,927)	31,668
Labour union funds and employee education funds	6,262,148	8,800,335	(9,847,519)	5,214,964
Outsourcing costs	8,617,273	204,842,710	(205,224,838)	8,235,145
Others	—	4,285,255	(4,255,255)	30,000
	<u>69,085,235</u>	<u>788,414,931</u>	<u>(790,902,768)</u>	<u>66,597,398</u>

(b) Defined contribution plans

	31 December 2016	Increase in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2017 (Unaudited)
Basic pensions	8,126	71,580,483	(71,574,973)	13,636
Unemployment insurance	452	2,794,589	(2,791,061)	3,980
Enterprise annuity	20,663,170	19,790,512	(37,954,200)	2,499,482
	<u>20,671,748</u>	<u>94,165,584</u>	<u>(112,320,234)</u>	<u>2,517,098</u>

(c) Termination benefits payable

	30 June 2017 (Unaudited)	31 December 2016
Early retirement benefits payable (Payable within one year)	<u>26,210,000</u>	<u>26,210,000</u>

Early retirement benefits borne by the Group are recognised as long-term employee benefits payable (Note 6(29)), the current portion of which is presented as employee benefits payable.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(21) Employee benefits payable (Continued)

(d) Defined benefit plan

	30 June 2017 (Unaudited)	31 December 2016
Supplemental retirement benefits (Payable within one year)	111,090,000	111,090,000

Supplemental retirement benefits borne by the Group are recognised as long-term employee benefits payable (Note 6(29)), the current portion of which is presented as employee benefits payable.

(22) Taxes payable

	30 June 2017 (Unaudited)	31 December 2016
Enterprise income tax payable	132,139,138	113,260,369
Unpaid VAT	37,362,083	16,821,512
Land use tax payable	11,511,966	12,308,025
Individual income tax payable	2,416,710	2,702,338
Stamp duty payable	927,378	3,141,181
Property tax payable	—	2,206,287
Others	2,885,546	2,780,857
	187,242,821	153,220,569

(23) Interests payable

	30 June 2017 (Unaudited)	31 December 2016
Interest payable to customer deposits	49,167,028	29,073,847
Interest on bonds payable	16,200,982	68,850,982
Interest of long-term borrowings with periodic payments of interest and return of principal at maturity	1,073,636	735,465
Interest of short-term borrowings	—	468,712
	66,441,646	99,129,006

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(24) Other payables

	30 June 2017 (Unaudited)	31 December 2016
Customer deposits by Qingdao Finance (i)	7,809,675,756	6,965,592,554
Construction and equipment expenditures payable (ii)	1,721,395,244	2,137,311,170
Equity transfer payables (iii)	163,340,800	12,134,086
Guarantees and deposits payable	131,741,734	88,432,306
Port construction fees payable (iv)	75,844,059	56,035,142
Port management fees payable (v)	62,909,836	47,189,296
Directional purchase expenditures paid on behalf	53,080,463	43,992,010
Payables to Qingdao Port Group (vi)	19,983,904	481,294,157
Others	68,164,104	63,875,475
	<u>10,106,135,900</u>	<u>9,895,856,196</u>

- (i) Customer deposits are primarily taken by Qingdao Finance from the Group's related parties.
- (ii) Construction and equipment expenditures payable are mainly payables for project construction, which remain outstanding as relevant projects have not been completed.
- (iii) As at 30 June 2017, equity transfer payables represent the considerations of equity interests of Vopak Logistics acquired by the Company and the equity interests of Qingdao Qianwan Port Area Bonded Logistics Centre Co., Ltd. ("Bonded Logistics Centre") acquired in 2016 which are unpaid, amounting to RMB 151,206,714 and RMB 12,134,086 respectively.
- As at 31 December 2016, the equity transfer amount payables represent the considerations of the equity interests of the Bonded Logistics Centre of RMB 12,134,086 which has not yet been paid.
- (iv) Port construction fees are collected by the Group on behalf and will be paid to Qingdao Maritime Safety Administration of the PRC.
- (v) Port management fees payables are mostly expenses collected by Qingdao Port International Logistics Co., Ltd. ("QDP Logistics") on behalf, and will be paid to QQCT and other loading companies for cargo charges and port facilities security fees.
- (vi) Payables to Qingdao Port Group are mostly construction expenditures collected in advance and will be paid on behalf of Qingdao Port Group to corresponding construction projects.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(25) Long-term borrowings

	Currency	30 June 2017 (Unaudited)	31 December 2016
Unsecured	RMB	151,720,687	160,720,687
Unsecured	EUR	58,028,800	—
		<u>209,749,487</u>	<u>160,720,687</u>
Less: Current portion of long-term borrowings		(25,330,000)	(23,330,000)
		<u>184,419,487</u>	<u>137,390,687</u>

As at 30 June 2017, interest rate of the long-term borrowings ranges from 2.6% to 4.9% (31 December 2016: 4.9%).

(26) Bonds payable

	31 December 2016	Issued in the current period (Unaudited)	30 June 2017 (Unaudited)
Corporate bonds payable	<u>3,500,000,000</u>	<u>—</u>	<u>3,500,000,000</u>

Under Zheng Jian Xu Ke [2016] No.153 approved by China Securities Regulatory Commission, the Company issued the first tranche of corporate bonds of RMB 1.5 billion and the second tranche of corporate bonds of RMB 2 billion respectively on 16 March 2016 and 6 June 2016 with the term of 5 years. Interest of the bonds is paid annually and calculated by the simple interest method, and the fixed annual interest rates are 2.90% and 3.09% respectively (Note 6(23)).

(27) Long-term payables

	30 June 2017 (Unaudited)	31 December 2016
Welfare expenses paid on behalf of Qingdao Port Group	55,500,841	54,616,078
Less: Current portion of welfare expenses	(2,600,000)	(2,600,000)
Others	<u>15,828,024</u>	<u>6,085,831</u>
	<u>68,728,865</u>	<u>58,101,909</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(28) Deferred revenue

	30 June 2017 (Unaudited)	31 December 2016
Government grants		
- Special funds for outer channel (i)	139,190,364	139,190,364
- Special funds for science and technology	4,330,861	4,330,861
- Others	1,343,216	1,738,696
	<u>144,864,441</u>	<u>145,259,921</u>

- (i) Special funds for outer channel are granted by the Ministry of Transport and the Ministry of Finance to the Group to be used for outer channel expansion project, and are recognised into profit or loss on a straight-line basis over the useful lives of the asset.

(29) Long-term employee benefits payable

	30 June 2017 (Unaudited)	31 December 2016
Early retirement benefits payable (a)	89,840,000	108,330,000
Supplemental retirement benefits (b)	2,440,190,000	2,623,120,000
	<u>2,530,030,000</u>	<u>2,731,450,000</u>

The early retirement benefits represent the present value of expected future cash outflow of benefits to be paid to and for the early retired employees from the off-duty date to the normal retirement date which are discounted at the interest rate of government bonds that have terms to maturity approximating to the terms of the early retirement benefits. The supplemental retirement benefits represent the present value of expected future cash outflow of benefits to be paid to and for the retired employees which are discounted at the interest rate of government bonds that have terms to maturity approximating to the terms of the supplemental retirement benefits.

- (a) Early retirement benefits of the Group:

	30 June 2017 (Unaudited)	31 December 2016
Early retirement benefits	116,050,000	134,540,000
Less: Payable within one year	(26,210,000)	(26,210,000)
	<u>89,840,000</u>	<u>108,330,000</u>

The current portion of early retirement benefits is included in employee benefits payable.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(b) Supplemental retirement benefits of the Group:

	30 June 2017 (Unaudited)	31 December 2016
Supplemental retirement benefits	2,551,280,000	2,734,210,000
Less: Payable within one year	(111,090,000)	(111,090,000)
	<u>2,440,190,000</u>	<u>2,623,120,000</u>

The current portion of supplemental retirement benefits is included in employee benefits payable.

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

	Early retirement benefits	Supplemental retirement benefits
1 January 2017	134,540,000	2,734,210,000
Amount recognised in profit or loss for the current period (Unaudited)		
- Service cost	—	1,880,000
- Net interest expense on the net obligations	1,820,000	46,880,000
Re-measurement amount (Unaudited)		
- Actuarial gains for the current period	(3,180,000)	(183,120,000)
Payment of benefits (Unaudited)	(17,130,000)	(48,570,000)
30 June 2017 (Unaudited)	<u>116,050,000</u>	<u>2,551,280,000</u>
	Early retirement benefits	Supplemental retirement benefits
1 January 2016	132,520,000	2,840,710,000
Amount recognised in profit or loss for the current period (Unaudited)		
- Service cost	42,020,000	—
- Net interest expense on the net obligations	1,900,000	45,680,000
Re-measurement amount (Unaudited)		
- Actuarial losses/(gains) for the current period	110,000	(99,090,000)
Payment of benefits (Unaudited)	(11,320,000)	(51,600,000)
30 June 2016 (Unaudited)	<u>165,230,000</u>	<u>2,735,700,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

- (d) Liabilities of early retirement benefits and supplemental retirement benefits as at the balance sheet date of the Group are calculated using projected unit credit method. Significant actuarial assumptions used are as follows:

	30 June 2017 (Unaudited)	31 December 2016
Discount rate - early retirement benefits	3.5%	3%
Discount rate - supplemental retirement benefits	4%	3.5%
Salary and welfare growth rate - early retirement benefits	10%	10%
Jinglao allowance growth rate - supplemental retirement benefits	5%	5%
Fushou allowance growth rate - supplemental retirement benefits	3%	3%

Assumption for future mortality rate is based on the statistics of the China Life Annuitant Mortality Table (2000-2003), and the actuarial assumptions are analysed as follows:

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Early retirement benefits -		
Average age	54.3	53.7
Average expected future time until legally retirement	3.7	5.1
Supplemental retirement benefits -		
Average age	52.9	64.5
Average expected future lifetime	30.1	20.2

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

- (e) The sensitivity analysis of the principal actuary assumptions adopted in the present value of the defined benefit liability of the Group is as follows:

	Change in assumption	Impact on present value of defined benefit liability	
		Increase in assumption	Decrease in assumption
Discount rate - early retirement benefits	0.25%	1.58% down	1.63% up
Discount rate - supplemental retirement benefits	0.25%	3.51% down	3.70% up
Salary and welfare growth rate - early retirement benefits	1%	5.57% up	5.09% down
Jinglao allowance growth rate - supplemental retirement benefits	1%	6.16% up	5.18% down
Fushou allowance growth rate - supplemental retirement benefits	1%	4.78% up	3.86% down

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the projected unit credit method has been applied.

- (f) As at 30 June 2017, expected maturity analysis of undiscounted defined benefit liability is as follows:

	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Early retirement benefits	26,210,000	19,060,000	39,140,000	61,700,000	146,110,000
Supplemental retirement benefits	111,090,000	115,970,000	372,020,000	4,332,500,000	4,931,580,000
	<u>137,300,000</u>	<u>135,030,000</u>	<u>411,160,000</u>	<u>4,394,200,000</u>	<u>5,077,690,000</u>

- (g) Early retirement benefits and supplemental retirement benefits expose the Group to a variety of risks, mainly, the risk of change in interest rate of government bonds. Decline in interest rate of government bonds will lead to increase in liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
General and administrative expenses	(1,300,000)	42,130,000
Financial expenses	48,700,000	47,580,000

(30) Other non-current liabilities

	30 June 2017 (Unaudited)	31 December 2016
Lease payments collected in advance	3,388,235,561	3,491,821,128
Less: Current portion of lease payments	(204,320,790)	(206,221,020)
	<u>3,183,914,771</u>	<u>3,285,600,108</u>

Lease payments collected in advance mainly comprise Port Facilities lease payments collected in advance from related party QQCT, and dock basin lease payments collected in advance from QQCTN and QQCTU with a period of 30 years. The current portion is presented as advances from customers.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(31) Capital surplus

	31 December 2016	Increase in the current period (Unaudited)	30 June 2017 (Unaudited)
Share premium -			
Capital premium contributed by			
Qingdao Port Group (a)	7,052,279,474	—	7,052,279,474
Capital premium contributed by			
Other Promoters (a)	783,586,608	—	783,586,608
Issue of new shares (b)	1,547,306,924	5,465,252,688	7,012,559,612
Shares issue expenses (b)	(113,422,026)	(13,009,480)	(126,431,506)
Reversal of revaluation appreciation			
effect from business combination involving			
enterprises under common control	(4,830,045,213)	—	(4,830,045,213)
Income tax effect recognised from			
revaluation appreciation	887,819,497	—	887,819,497
Business combination involving			
enterprises under common control	(18,103,678)	—	(18,103,678)
Other capital surplus -			
Share of changes in equity other than			
comprehensive income and			
profit distribution of investees accounted			
for using the equity method	12,213,780	5,409,108	17,622,888
	<u>5,321,635,366</u>	<u>5,457,652,316</u>	<u>10,779,287,682</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(31) Capital surplus (Continued)

	31 December 2015	Increase in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2016 (Unaudited)
Share premium -				
Capital premium contributed by				
Qingdao Port Group (a)	7,052,279,474	—	—	7,052,279,474
Capital premium contributed by				
Other Promoters (a)	783,586,608	—	—	783,586,608
Issue of new shares (b)	1,547,306,924	—	—	1,547,306,924
Shares issue expenses (b)	(113,422,026)	—	—	(113,422,026)
Reversal of revaluation appreciation				
effect from business combination				
involving enterprises under				
common control	(4,830,045,213)	—	—	(4,830,045,213)
Income tax effect recognised from				
revaluation appreciation	887,819,497	—	—	887,819,497
Business combination involving				
enterprises under common control	179,912,210	—	(198,015,888)	(18,103,678)
Other capital surplus -				
Share of changes in equity other than				
comprehensive income and				
profit distribution of investees accounted				
for using the equity method	2,744,874	7,702,799	—	10,447,673
	<u>5,510,182,348</u>	<u>7,702,799</u>	<u>(198,015,888)</u>	<u>5,319,869,259</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(31) Capital surplus (Continued)

- (a) The Company is a stock limited company jointly established by Qingdao Port Group and Other Promoters. The assets and liabilities as well as cash at bank and on hand contributed by Qingdao Port Group amounted to RMB 10,252,279,474 and RMB 400,000,000, respectively, which were approved by Qingdao State-owned Assets Supervision & Administration Commission. Cash at bank and on hand contributed by Other Promoters amounted to RMB 1,183,586,608. The contribution amounted to RMB 11,835,866,082 in total, including share capital of RMB 4,000,000,000 (4,000,000,000 shares, par value at RMB 1) and capital surplus of RMB 7,835,866,082.
- (b) The Company issued 705,800,000 foreign-listed H-shares overseas at its initial public offering at 6 June 2014. The amount of raised capital less capitalised listing expenses is RMB 1,995,921,171, including share capital of RMB 705,800,000 (705,800,000 shares, par value at RMB 1) and capital surplus of RMB 1,290,121,171. The Company exercised over-allotment option on 2 July 2014 and increased issuance of 72,404,000 foreign-listed H shares overseas. The amount raised in over-allotment is RMB 216,167,727, including share capital of RMB 72,404,000 (72,404,000 shares, par value at RMB 1) and capital surplus of RMB 143,763,727.

The Company completed placement of 243,000,000 new H-shares on 18 May 2017. The amount of raised capital less capitalised listing expenses is RMB 912,553,972, including share capital of RMB 243,000,000 (243,000,000 shares, par value at RMB 1) and capital surplus of RMB 669,553,972.

The Company completed proposed subscription of 1,015,520,000 domestic shares on 22 May 2017. The amount of raised capital less capitalised listing expenses is RMB 5,798,209,236, including share capital of RMB 1,015,520,000 (1,015,520,000 shares, par value at RMB 1) and capital surplus of RMB 4,782,689,236.

(32) Other comprehensive income

(a) Reconciliation of other comprehensive income

	Attributable to shareholders of the Company	Minority interests	Total
	Changes in the remeasurement of net liability related to the defined benefit plan		
31 December 2015	(301,159,600)	628,800	(300,530,800)
Movements in the current period (Unaudited)	98,933,200	156,800	99,090,000
30 June 2016 (Unaudited)	<u>(202,226,400)</u>	<u>785,600</u>	<u>(201,440,800)</u>
31 December 2016	(63,024,800)	1,064,000	(61,960,800)
Movements in the current period (Unaudited)	182,781,300	338,700	183,120,000
30 June 2017 (Unaudited)	<u>119,756,500</u>	<u>1,402,700</u>	<u>121,159,200</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(31) Capital surplus (Continued)

(b) Other comprehensive income, the related income tax effect and the reclassifications to profit or loss

	Six months ended 30 June 2017 (Unaudited)		
	Amount before tax	Income tax	Net after tax
Other comprehensive income items which will not be reclassified subsequently to profit or loss			
Remeasurement of net liability related to the defined benefit plan	<u>183,120,000</u>	—	<u>183,120,000</u>
	Six months ended 30 June 2016 (Unaudited)		
	Amount before tax	Income tax	Net after tax
Other comprehensive income items which will not be reclassified subsequently to profit or loss			
Remeasurement of net liability related to the defined benefit plan	<u>99,090,000</u>	—	<u>99,090,000</u>

(33) Surplus reserve

	31 December 2016	Appropriation in current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2017 (Unaudited)
Statutory surplus reserve	<u>429,859,457</u>	—	—	<u>429,859,457</u>
	31 December 2015	Appropriation in current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2016 (Unaudited)
Statutory surplus reserve	<u>287,004,088</u>	—	—	<u>287,004,088</u>

In accordance with *the Company Law* and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(34) General reserve

	31 December 2016	Appropriation in current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2017 (Unaudited)
General reserve	<u>134,121,910</u>	<u>—</u>	<u>—</u>	<u>134,121,910</u>
	31 December 2015	Appropriation in current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2016 (Unaudited)
General reserve	<u>77,670,166</u>	<u>—</u>	<u>—</u>	<u>77,670,166</u>

Pursuant to the notice in Cai Jin [2012] No.20 *Administrative Measures for the Provision of Reserves of Financial Enterprises* issued by the Ministry of Finance, financial enterprises shall make appropriation to general reserve for risk assets. The general reserve should not be less than 1.5% of the ending balance of risk assets, and the minimum threshold can be accumulated over a period of no more than five years.

(35) Undistributed profits

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Undistributed profits at beginning of period	3,631,936,223	2,309,642,411
Add: Attributable to equity holders of the Company	1,550,465,173	1,200,341,762
Less: Profit distribution to shareholders	(787,551,013)	(664,552,612)
Undistributed profits at the end of the period	<u>4,394,850,383</u>	<u>2,845,431,561</u>

Pursuant to the resolution at the Board of Directors' meeting dated on 18 March 2016 and the annual general meeting dated on 6 June 2016, the Company distributed a dividend of RMB 664,552,612 to the shareholders of the Company for 2015 at RMB 139.08 per thousand shares.

Pursuant to the resolution at the Board of Directors' meeting dated on 17 March 2017 and the annual general meeting dated on 28 June 2017, the Company distributed a dividend of RMB 787,551,013 to the shareholders of the Company for 2016 at RMB 130.46 per thousand shares.

For the six months ended 30 June 2017, the Board of Directors has not declared to release interim dividend (for the six months ended 30 June 2016: nil).

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(36) Revenue and cost of sales

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Revenue from main operations	4,333,523,802	3,637,029,804
Revenue from other operations	451,503,505	484,889,217
	<u>4,785,027,307</u>	<u>4,121,919,021</u>
	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Cost of sales from main operations	(2,824,789,745)	(2,473,940,969)
Cost of sales from other operations	(254,444,628)	(268,666,177)
	<u>(3,079,234,373)</u>	<u>(2,742,607,146)</u>

(a) Revenue and cost of sales from main operations

	Six months ended 30 June 2017 (Unaudited)		Six months ended 30 June 2016 (Unaudited)	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
Container handling and supporting services	112,040,436	(35,528,578)	95,461,170	(36,203,042)
Metal ore, coal and other cargo handling and supporting services	1,575,424,796	(1,206,615,807)	1,364,350,562	(936,463,173)
Liquid bulk cargo handling and supporting services	230,832,910	(54,962,534)	55,815,887	(8,466,237)
Logistics and port value-added services	2,002,514,697	(1,182,026,543)	1,597,727,856	(1,017,804,432)
Port supporting services - construction, labour and sales of port machinery	412,710,963	(345,656,283)	523,674,329	(475,004,085)
	<u>4,333,523,802</u>	<u>(2,824,789,745)</u>	<u>3,637,029,804</u>	<u>(2,473,940,969)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(36) Revenue and cost of sales (Continued)

(b) Revenue and cost of sales from other operations

	Six months ended 30 June 2017 (Unaudited)		Six months ended 30 June 2016 (Unaudited)	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Port supporting service - sales of fuel, electricity and others	439,362,288	(253,980,361)	475,151,854	(268,242,845)
Financial services	12,141,217	(464,267)	9,737,363	(423,332)
	451,503,505	(254,444,628)	484,889,217	(268,666,177)

(37) Taxes and surcharges

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Land use tax	22,943,890	—
City maintenance and construction tax	8,293,239	9,692,957
Business tax (i)	5,929,256	21,459,271
Educational surcharge	5,927,625	6,923,430
Stamp duty	7,252,600	—
Others	3,386,088	3,091,478
	53,732,698	41,167,136

- (i) As described in Note 6(15), the Group leases port facilities to related parties, such as QQCT, of which the rentals are collected in full amount and related business taxes are paid. Business tax prepaid are recorded into other non-current assets, and carried forward to taxes and surcharges based on leasing income recognised in every period.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(38) Financial expenses - net

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Interest costs	101,241,048	66,310,979
Less: Capitalised interest	(1,462,325)	(4,431,044)
Interest expenses	99,778,723	61,879,935
Less: Interest income	(243,273,042)	(165,734,021)
Effect of actuarial calculation of employee benefits	48,700,000	47,580,000
Exchange gains or losses	18,598,636	(524,234)
Others	224,682	597,186
	(75,971,001)	(56,201,134)

(39) Expenses by nature

The cost of sales, selling and distribution expenses, general and administrative expenses in the income statement are categorised by nature as follows:

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Employee benefits	821,068,394	827,560,683
Subcontract cost	731,606,888	654,289,165
Transportation cost	613,504,653	477,949,647
Depreciation of fixed assets	277,238,053	225,389,818
Cost of sales for fuel and electricity	140,056,328	140,868,167
Consumption of raw materials in construction contract	132,614,791	231,542,696
Cost of traded goods	123,436,728	—
Consumption of other raw materials	118,515,465	108,324,486
Fuel and utility fees	113,292,631	113,648,254
Rental expenses	89,366,234	82,987,615
Repair charges	39,141,479	43,468,060
Amortisation of intangible assets	13,295,657	10,067,303
Amortisation of long-term prepaid expenses	7,852,209	4,881,605
Auditor's fee	3,415,807	2,417,548
- Audit services	3,373,672	2,333,302
- Non-audit services	42,135	84,246
Depreciation of investment properties	2,246,639	2,587,273
Taxes and levies	—	31,120,062
Others	73,568,742	64,241,682
	3,300,220,698	3,021,344,064

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(40) Asset impairment losses

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Provision for bad debts	6,662,216	17,967,377
Provision for impairment loss of intangible assets	—	922,900
	6,662,216	18,890,277

(41) Investment income

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Investment income from long-term equity investments under equity method	511,045,352	398,626,852
Investment income from disposal of available-for-sale financial assets	12,357,985	—
Investment income from the original long-term equity investment remeasured at fair value through step-by-step business combination	6,339,652	—
Investment income from available-for-sale financial assets	29,250	29,250
Investment income earned during the holding period of financial assets at fair value through profit or loss	—	146,731
	529,772,239	398,802,833

There is no restriction on recovery of investment income.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(42) Non-operating income and expenses

(a) Non-operating income

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Gains on disposal of non-current assets	5,494,641	38,719,286
Including: Gains on disposal of fixed assets	5,494,641	5,753,328
Gains on disposal of investment properties	—	32,965,958
Government grants (i)	19,657,566	11,116,890
Commission from port construction fees (ii)	7,175,068	6,783,495
Others	2,444,581	2,584,472
	<u>34,771,856</u>	<u>59,204,143</u>

(i) Details of government grants

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Development support funds from Finance Bureau	8,593,000	—
Bonded area/development zone enterprise support fund	4,155,400	—
Special funds for outer channel	1,957,222	1,957,222
Wengang allowance	1,932,438	1,895,183
Awards for investments attraction	1,600,000	1,600,000
Science and technological awards	—	5,276,000
Others	1,419,506	388,485
	<u>19,657,566</u>	<u>11,116,890</u>

- (ii) According to the *Administrative Measures for the Collection and Use of Port Construction Fees* jointly developed by the Ministry of Finance and the Ministry of Transport, the Group collects commission fees at a certain percentage of the port construction fee.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(42) Non-operating income and expenses (Continued)

(b) Non-operating expenses

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Losses on disposal of non-current assets	1,480,853	105,179
Including: Losses on disposal of fixed assets	1,480,853	105,179
Others	<u>419,680</u>	<u>43,602</u>
	<u>1,900,533</u>	<u>148,781</u>

(43) Income tax expenses

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Current income tax calculated based on tax law and related regulations	410,949,248	315,839,591
Deferred income tax	<u>(554,563)</u>	<u>(14,083,392)</u>
	<u>410,394,685</u>	<u>301,756,199</u>

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses is listed below:

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Total profit	<u>2,063,026,258</u>	<u>1,554,576,873</u>
Income tax expenses calculated at applicable tax rates	515,756,565	388,644,218
Investment income not subject to tax	(127,761,338)	(99,656,713)
Additional deduction of employee benefits of the disabled	(1,111,740)	(1,147,745)
Costs, expenses and losses not deductible for tax purposes	<u>23,511,198</u>	<u>13,916,439</u>
Income tax expenses	<u>410,394,685</u>	<u>301,756,199</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(44) Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Consolidated net profit attributable to ordinary shareholders of the Company	1,550,465,173	1,200,341,762
Weighted average number of ordinary shares outstanding	5,054,746,983	4,778,204,000
Basic earnings per share	0.31	0.25
Including:		
- Basic earnings per share from continuing operations	0.31	0.25
- Basic earnings per share from discontinued operations	N/A	N/A

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares for the six months ended 30 June 2017 (for the six months ended 30 June 2016: nil), diluted earnings per share equal to basic earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(45) Notes to the cash flow statement

(a) Reconciliation from net profit to cash flows from operating activities

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Net profit	1,652,631,573	1,252,820,674
Add: Provision for asset impairment loss	6,662,216	18,890,277
Depreciation of fixed assets and investment properties	279,484,692	227,977,091
Amortisation of intangible assets	13,295,657	10,067,303
Amortisation of long-term prepaid expenses	7,852,209	4,881,605
Amortisation of deferred income	(395,480)	(2,867,593)
Gains on disposal of non-current assets	(4,013,788)	(38,614,107)
Investment income	(529,772,239)	(398,802,833)
Increase in deferred tax assets	(554,563)	(14,083,392)
Financial expenses	(73,638,206)	(51,733,543)
Increase in inventories	(38,401,376)	(98,778,465)
Increase in operating receivables	(784,919,555)	(754,432,564)
Increase in operating payables	290,403,309	174,966,556
Net cash flows from operating activities	<u>818,634,449</u>	<u>330,291,009</u>

(b) Significant operating activities that do not involve cash receipts and payments

(i) Endorsement of notes receivable

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Goods and services purchased by endorsement of notes receivable	<u>765,067,014</u>	<u>905,170,739</u>

(ii) Notes receivable received

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Notes receivable received for provide of services and sale of goods	<u>1,242,928,407</u>	<u>1,585,578,331</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(b) Significant operating activities that do not involve cash receipts and payments (Continued)

(iii) Notes payable issued

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Goods and services purchased by issuing notes payable	<u>17,164,727</u>	<u>123,132,400</u>

(c) Significant investing activities that do not involve cash receipts and payments

(i) Endorsement of notes receivable

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Construction expenditures paid on behalf by endorsement of notes receivable	<u>21,578,781</u>	<u>122,236,176</u>
Long-term assets acquired by endorsement of notes receivable	<u>74,644,592</u>	<u>155,232,158</u>
	<u>96,223,373</u>	<u>277,468,334</u>

(ii) Notes receivable received

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Notes receivable received for agent construction project expenditures receivables	<u>15,679,793</u>	<u>32,420,676</u>

(iii) Notes payable issued

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Long-term assets acquired by issuing notes payable	<u>592,677,640</u>	<u>33,505,846</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(d) Significant financing activities that do not involve cash receipts and payments

(i) Notes receivable discounted

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Short-term borrowings payment deducted by previously discounted notes receivable fall due	<u>220,796,100</u>	<u>393,801,248</u>

(ii) The Company made proposed subscription of domestic shares to Shanghai China Shipping Terminal, and Shanghai China Shipping Terminal paid 20% of its equity interest in of QQCT evaluating as RMB 3,198,650,840 (Note 6(10) (a)).

(e) Net movements in cash

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Balance at the end of the period	8,567,122,413	5,060,534,359
Less: Cash at the beginning of the period	<u>(2,747,487,988)</u>	<u>(4,762,467,699)</u>
Net increase in cash	<u>5,819,634,425</u>	<u>298,066,660</u>

(f) Cash

	30 June 2017 (Unaudited)	31 December 2016
Cash at bank and on hand (Note 6(1))	12,450,044,630	8,100,294,431
Less: Term deposits with initial term of over 3 months	<u>(3,060,505,190)</u>	<u>(4,601,482,254)</u>
Other restricted cash balance	<u>(822,417,027)</u>	<u>(751,324,189)</u>
Cash at the end of the period/year	<u>8,567,122,413</u>	<u>2,747,487,988</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(g) Cash received relating to other operating activities

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Operating lease rental of port facilities	83,761,419	66,787,377
Deposits and guarantees	44,627,191	42,889,559
Government grants	17,304,864	8,249,297
Port management fees collected on behalf	15,720,540	30,289,758
Commission from port construction fees	7,175,068	6,783,495
Interest from cash at bank	4,730,556	4,679,006
Land use tax refund	—	11,863,811
Purchases of goods paid on behalf received	—	8,926,392
Others	2,616,660	12,283,653
	175,936,298	192,752,348

(h) Cash paid relating to other operating activities

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Purchases of goods paid on behalf	92,506,647	—
Port construction fees paid on behalf	15,740,488	18,207,772
General office expenses and entertainment expenses	11,624,684	10,221,367
Intermediary service fee	8,496,230	5,889,267
Repayment to Qingdao Port Group for previously received maturity of bills on behalf	—	67,988,440
Repayment on customers clearance fees collected on behalf	—	61,775,988
Others	22,062,439	8,809,288
	150,430,488	172,892,122

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(i) Cash received relating to other investing activities

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Loans repayment received from related parties and third parties	357,876,677	403,450,035
Cash received from acquired a subsidiary (Note)	12,354,584	—
Agent construction project expenditures receivables received	—	20,266,985
	370,231,261	423,717,020

Note: Net cash received from acquisition of a subsidiary

	Six months ended 30 June 2017
Consideration of acquisition (Note 7(1) (b))	(152,027,521)
Less: Unpaid amount (Note 6(24))	151,206,714
	(820,807)
Cash paid in this period	13,175,391
Add: Cash held by the subsidiary	12,354,584
Net cash received from acquisition of a subsidiary	12,354,584

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(j) Cash paid relating to other investing activities

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Loans provided to related parties and third parties	642,212,513	2,292,595,308
Payment for assets purchased for finance lease	81,658,748	—
Statutory deposit reserves by Qingdao Finance	54,242,430	345,084,553
Construction expenditures paid on behalf	2,751,587	—
Financial assets purchased under resale agreements	—	74,224,792
	<u>780,865,278</u>	<u>2,711,904,653</u>

(k) Cash received relating to other financing activities

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Customer deposits by Qingdao Finance	<u>844,083,202</u>	<u>113,468,893</u>

(l) Cash payments relating to other financing activities

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Payment to Qingdao Port Group	417,577,939	—
Payment for shares issue expenses	13,009,480	—
	<u>430,587,419</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

7 CHANGES OF THE SCOPE OF CONSOLIDATION

(1) Business combinations involving enterprises not under common control

(a) Business combinations involving enterprises not under common control in the six months ended 30 June 2017

Acquiree	Obtaining time	Costs of acquisition	% of equity obtained	Obtaining method	Acquisition date	Basis for determining the acquisition date	Revenue of the acquiree from the acquisition date to the end of the period	Net profit of the acquiree from the acquisition date to the end of the period	Cash flows from operating activities of the acquiree from the acquisition date to the end of the period	Net cash flows from operating activities of the acquiree from the acquisition date to the end of the period
Vopak Logistics	5 May 2017	152,027,521	50%	By cash	5 May 2017	Control obtained	—	(92,107)	—	(120,885)

As at 15 June 2012, Qingdao Port Group and Vopak Terminal DJK B.V. jointly contributed and set up Vopak Logistics with the percentage of shareholding of 50%. As set out in Note 1, as the Leading Promoter, Qingdao Port Group set up the Company together with Other Promoters, and contributed its equity interest in Vopak Logistics to the Company, therefore, the Company became one of the investors of Vopak Logistics instead of Qingdao Port Group.

(b) Details of the cost of combination and goodwill recognised are as follows:

	Vopak Logistics
Costs of combination	
– Cash	152,027,521
– Fair value of 50% equity interest previously held at acquisition date	150,177,036
Less: Fair value of the identifiable net assets obtained	(300,354,072)
Goodwill	1,850,485
Fair value of 50% equity interest previously held at acquisition date	150,177,036
Less: carrying amount of 50% equity interest previously held	(143,837,384)
Investment income	6,339,652

The Group uses the valuation techniques to determine the fair value of the transferred non-cash assets and of the liabilities incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

7 CHANGES OF THE SCOPE OF CONSOLIDATION (Continued)

(1) Business combinations involving enterprises not under common control (Continued)

(c) The assets and liabilities of acquiree at the acquisition date are as follows:

(i) Vopak Logistics

	Acquisition date Fair value	Acquisition date Carrying amount	31 December 2016 Carrying amount
Cash at bank and on hand	13,175,391	13,175,391	13,291,448
Interest receivable	—	—	264
Other receivables	1,000	1,000	1,000
Fixed assets	255,912	135,312	171,212
Construction in progress	301,102,467	284,423,448	284,315,872
Less: Tax payables	(1,195,140)	(1,195,140)	(1,194,567)
Other payables	11,175,933	11,175,933	11,175,933
Deferred tax liabilities	4,199,905	—	—
Net assets	300,354,072	287,754,358	287,798,430
Less: Minority interests	—	—	—
Net assets obtained	<u>300,354,072</u>		

The fair value of the assets and liabilities of Vopak Logistics at the acquisition date is determined by the Group using valuation techniques. The valuation method and critical assumptions applied are as follows:

The method of evaluation of construction in progress is the replacement cost method. The key assumption is that the project will continue to be built and put into operation according to the established design scheme and purpose.

Vopak Logistics was not in actual operation during the period from the acquisition date to 30 June 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

7 CHANGES OF THE SCOPE OF CONSOLIDATION (Continued)

(2) Disposal of subsidiaries

(a) Information of subsidiaries disposed in the current year are summarised as follows:

Name of subsidiary	Consideration received from the disposal	Disposal proportion	Way of disposal	Time of losing control	Judgement for time of losing control	Difference between consideration received from the disposal and corresponding shares of net assets attributable to the parent company in the consolidated financial statements	Amount transferred from other comprehensive income related to initial equity investment to gains or losses of investment
Qingdao Port Fund Management Co., Ltd. ("Fund Management")	2,918,423	100%	Equity transfer	17 April 2017	Change of business registration	—	—

On 17 April 2017, the Company disposed 100% of its equity interests held in Fund Management with no gains or loss from disposal.

(b) The information of profit or loss of the disposal is as follows:

	Amount
Consideration received from the disposal	2,918,423
Less: Share of net assets of Fund Management in the consolidated financial statements	(2,918,423)
Investment income arising from disposal	—

(3) Other reasons for changes of the scope of consolidation

On 25 April 2017, the Company funded the incorporation of a subsidiary, Dongying Port Lianhua Pipeline Petroleum Transportation Co., Ltd. ("Dongying Port Lianhua"). Please refer to Note 8(1) (a) for the details of the subsidiary. The subsidiary is included in the scope of consolidation.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 EQUITY IN OTHER ENTITIES

(1) Equity in subsidiaries

(a) Constitution of the enterprise group

	Category of legal person	Major business location	Place of registration	Nature of business	Shareholding (%)		Voting rights (%)	Acquisition method
					Direct	Indirect		
Qingdao Yongli Insurance Agency Co., Ltd. ("Yongli Insurance")	Limited Liability Company	Qingdao, China	Qingdao, China	Insurance agency services	100%	—	100%	Set-up or investment
QDP Logistics	Limited Liability Company	Qingdao, China	Qingdao, China	Intergrated logistics	100%	—	100%	Set-up or investment
Qingdao Hongyu Cargo Agency Co., Ltd. ("Hongyu Cargo Agency")	Limited Liability Company	Qingdao, China	Qingdao, China	Freight agency	100%	—	100%	Set-up or investment
Qingdao GLS Shipping Co., Ltd. ("GLS Shipping")	Limited Liability Company	Qingdao, China	Qingdao, China	Shipping agency	100%	—	100%	Set-up or investment
Qingdao Ocean Shipping Repair Co., Ltd. ("Ocean Shipping Repair")	Limited Liability Company	Qingdao, China	Qingdao, China	Shipping repair services	100%	—	100%	Set-up or investment
Qingdao Port (Group) Engineering Co., Ltd. ("Qingdao Port Engineering")	Limited Liability Company	Qingdao, China	Qingdao, China	Engineering & construction	100%	—	100%	Set-up or investment
Qingdao Port Engineering Design Institute Co., Ltd. ("Port Engineering Design Institute")	Limited Liability Company	Qingdao, China	Qingdao, China	Engineering design service	—	100%	100%	Set-up or investment
Qingdao Ocean Shipping Tally Co., Ltd. ("Ocean Shipping Tally")	Limited Liability Company	Qingdao, China	Qingdao, China	Ocean shipping tally services	84%	—	84%	Set-up or investment
Qingdao Gangjia Logistics Co., Ltd. ("Gangjia Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Logistics services	51%	—	51%	Set-up or investment
Qingdao Bonded Port Area Gangrong Storage Centre Co., Ltd. ("Gangrong Storage")	Limited Liability Company	Qingdao, China	Qingdao, China	Storage service	100%	—	100%	Set-up or investment
Qingdao Port International Travel Agency Co., Ltd. ("Qingdao Port Travel Agency")	Limited Liability Company	Qingdao, China	Qingdao, China	Travel agency	94.29%	—	94.29%	Set-up or investment
Qingdao Port Passenger Terminal Duty Free Merchandise Co., Ltd. ("Duty-free Merchandise")	Limited Liability Company	Qingdao, China	Qingdao, China	Sales of duty free merchandise	100%	—	100%	Set-up or investment
Datang Qingdao Port Co., Ltd. ("Datang Port")	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo handling services	51%	—	51%	Business combinations involving enterprises not under common control
Qingdao Haiye Mercuria Logistics Co., Ltd. ("Mercuria Logistics") (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo handling services	62%	—	60%	Business combinations involving enterprises not under common control
Mercuria Oil Terminal (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Storage service	71%	—	60%	Business combinations involving enterprises not under common control

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 EQUITY IN OTHER ENTITIES (Continued)

(1) Equity in subsidiaries (Continued)

(a) Constitution of the enterprise group (Continued)

	Category of legal person	Major business location	Place of registration	Nature of business	Shareholding (%)		Voting rights (%)	Acquisition method
					Direct	Indirect		
Qingdao Port E-Link Logistics Co., Ltd. ("E-Link Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Freight agency	—	65%	65%	Set-up or investment
Qingdao Port International Trade Logistics Co., Ltd. ("International Trade Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Trade agency	—	60%	60%	Set-up or investment
Qingdao Port Eimskip Coldchain Logistics Co., Ltd. ("Eimskip Coldchain") (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Logistics services	70%	—	60%	Set-up or investment
Qingdao Finance	Limited Liability Company	Qingdao, China	Qingdao, China	Financial services	70%	—	70%	Set-up or investment
Qingdao Port Dongjiakou Bulk Cargo Logistics Co., Ltd. ("Bulk Cargo Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Freight agency	—	51%	51%	Set-up or investment
Technology Company	Limited Liability Company	Qingdao, China	Qingdao, China	Technology services	100%	—	100%	Set-up or investment
Qingdao Port Properties Co., Ltd. ("Qingdao Port Properties")	Limited Liability Company	Qingdao, China	Qingdao, China	Property management	100%	—	100%	Set-up or investment
Qingdao Port Culture Media Co., Ltd. Culture Media	Limited Liability Company	Qingdao, China	Qingdao, China	Media services	100%	—	100%	Set-up or investment
Qingdao Port Jieyuntong Logistics Co., Ltd. ("Jieyuntong Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Freight agency	—	51%	51%	Set-up or investment
Qingdao Port Jiefeng International Logistics Co., Ltd. ("Jiefeng Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Freight agency	—	51%	51%	Set-up or investment
Qingdao Port Lianjie International Logistics Co., Ltd. ("Lianjie Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Container Freight Station ("CFS")	—	58%	58%	Set-up or investment
Qingdao Port Lianyu International Logistics Co., Ltd. ("Lianyu Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Freight agency	—	60%	60%	Set-up or investment
Qingdao Port Pulp Logistics Co., Ltd. ("Pulp Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Freight agency	—	55%	55%	Set-up or investment
Qingdao City Qingdao Port Commodity Trading Centre Co., Ltd. ("QDP CTC")	Limited Liability Company	Qingdao, China	Qingdao, China	Trade agency	—	100%	100%	Business combination involving enterprises under common control
Qingdao Port International Development (Hong Kong) Co., Ltd. ("International Development")	Limited Liability Company	Hong Kong, China	Hong Kong, China	Investment management	100%	—	100%	Business combination involving enterprises under common control
Qingdao Leasing	Limited Liability Company	Qingdao, China	Qingdao, China	Financial leasing	75%	25%	100%	Set-up or investment

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 EQUITY IN OTHER ENTITIES (Continued)

(1) Equity in subsidiaries (Continued)

(a) Constitution of the enterprise group (Continued)

	Category of legal person	Major business location	Place of registration	Nature of business	Shareholding (%)		Voting rights (%)	Acquisition method
					Direct	Indirect		
Qingdao Port Tongbao Shipping Co., Ltd. ("Tongbao Shipping")	Limited Liability Company	Qingdao, China	Qingdao, China	Logistics services	100%	—	100%	Set-up or investment
Qingdao Port Tongze Trading Co., Ltd. ("Tongze Trading")	Limited Liability Company	Qingdao, China	Qingdao, China	Sales of goods	100%	—	100%	Set-up or investment
DMT (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo handling services	80%	—	67%	Set-up or investment
Qingdao Port Svitzer Towage Co., Ltd. ("Svitzer Towage") (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Lightering services	55%	—	60%	Set-up or investment
Shandong Port Lianhua Pipeline Oil Transport Co., Ltd. ("Lianhua Pipeline")	Limited Liability Company	Qingdao, China	Qingdao, China	Fuel storage	51%	—	51%	Set-up or investment
Assets Management Company	Limited Liability Company	Qingdao, China	Qingdao, China	Asset management	100%	—	100%	Set-up or investment
Qingdao Port Lianxin International Logistics Co., Ltd. ("Lianxin Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	CFS	—	58%	58%	Set-up or investment
Weifang Port Lianhua Storage Co., Ltd. ("Weifang Port Lianhua")	Limited Liability Company	Weifang, China	Weifang, China	Fuel storage	—	100%	100%	Set-up or investment
Bonded Logistics Centre	Limited Liability Company	Qingdao, China	Qingdao, China	Storage service	63%	37%	100%	Business combinations involving enterprises not under common control
Dongying Port Lianhua	Limited Liability Company	Dongying, China	Dongying, China	Fuel storage	70%	—	70%	Set-up or investment
Vopak Logistics	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo handling services	100%	—	100%	Business combinations involving enterprises not under common control

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 EQUITY IN OTHER ENTITIES (Continued)

(1) Equity in subsidiaries (Continued)

(a) Constitution of the enterprise group (Continued)

- (i) As at 23 May 2014, the Company acquired 51% equity of Mercuria Logistics through increase in capital and shares, and Mercuria Logistics was treated as a subsidiary and included in the consolidation scope. As at 30 June 2017, minority shareholders has not completed capital contributions to Mercuria Logistics and the Company enjoys the rights and interests according to the actual percentage of shareholding of 62%. The decisions on Mercuria Logistics's relevant operating activities are made by the resolution of the Board which subject to the approval of more than half of the directors who attend the Board's meeting. The Company can designate 3 out of 5 board members in Mercuria Logistics, so the voting rights held by the Company is 60%.

As at 30 October 2014, the Company acquired 65% equity of Mercuria Oil Terminal through increase in capital and shares, and Mercuria Oil Terminal was treated as a subsidiary and included in the consolidation scope. As at 30 June 2017, the Company and minority shareholders has not completed capital contributions to Mercuria Oil Terminal, and the Company enjoys the rights and interests according to the actual percentage of shareholding of 71%. The decisions on Mercuria Oil Terminal's relevant operating activities are made by the resolution of the Board which subject to the approval of more than half of the directors who attend the Board's meeting. The Company can designate 3 out of 5 board members in Mercuria Logistics, so the voting rights held by the Company is 60%.

The percentage of shareholding in Eimskip Coldchain held by the Company is 70%. The decisions on Eimskip Coldchain's relevant operating activities are made by the resolution of the Board which subject to the approval of more than half of the directors who attend the Board's meeting. The Company can designate 3 out of 5 board members in Eimskip Coldchain, so the voting rights held by the Company is 60%.

The percentage of shareholding in DMT held by the Company is 80%. The decisions on DMT's relevant operating activities are made by the resolution of the Board which subject to the approval of more than half of the directors who attend the Board's meeting. The Company can designate 4 out of 6 board members in DMT, so the voting rights held by the Company is 67%.

The percentage of shareholding in Svitzer Towage held by the Company is 55%. The decisions on Svitzer Towage's relevant operating activities are made by the resolution of the Board which subject to the approval of more than half of the directors who attend the Board's meeting. The Company can designate 3 out of 5 board members in Svitzer Towage, so the voting rights held by the Company is 60%.

As at 30 June 2017, no share capital or debt securities are issued by the subsidiaries of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 EQUITY IN OTHER ENTITIES (Continued)

(1) Equity in subsidiaries (Continued)

(b) Subsidiary with significant minority interests

Name of subsidiary	Shareholding of minority shareholders	Gains and losses attributable to minority interests for the six months ended 30 June 2017 (Unaudited)	Dividends declared to minority interests for the six months ended 30 June 2017 (Unaudited)	30 June 2017 Minority interests (Unaudited)
Qingdao Finance	30%	40,590,926	—	440,138,626
Mercuria Logistics (i)	42%	3,690,132	—	197,743,091
Datang Port	49%	(4,744,949)	—	154,034,405
Lianhua Pipeline	49%	—	—	146,635,101

- (i) In accordance with the joint investment agreement, the percentage of shareholding in Mercuria Logistics held by minority shareholders is 49%. As at 30 June 2017, minority shareholders has not completed capital contributions and the actual percentage of shareholding is 42%.

The major financial information of the significant non-fully-owned subsidiaries of the Group is listed below:

	30 June 2017 (Unaudited)				31 December 2016			
	Qingdao Finance	Mercuria Logistics	Datang Port	Lianhua Pipeline	Qingdao Finance	Mercuria Logistics	Datang Port	Lianhua Pipeline
Current assets	10,733,917,207	15,981,342	27,113,321	549,340,236	9,510,123,697	28,734,055	16,409,468	365,828,804
Non-current assets	3,130,750,201	1,008,024,821	796,233,381	1,601,168,587	2,533,857,811	1,021,934,734	784,317,312	845,032,258
Total assets	13,864,667,408	1,024,006,163	823,346,702	2,150,508,823	12,043,981,508	1,050,668,789	800,726,780	1,210,861,062
Current liabilities	(12,393,207,795)	(178,007,883)	(200,456,545)	(787,904,900)	(10,707,824,980)	(264,139,471)	(232,596,595)	(509,475,587)
Non-current liabilities	(4,330,861)	(371,247,151)	(308,534,229)	(1,063,348,614)	(4,330,861)	(320,604,792)	(244,090,687)	(500,130,000)
Total liabilities	(12,397,538,656)	(549,255,034)	(508,990,774)	(1,851,253,514)	(10,712,155,841)	(584,744,263)	(476,687,282)	(1,009,605,587)

	Six months ended 30 June 2017 (Unaudited)				Six months ended 30 June 2016 (Unaudited)			
	Qingdao Finance	Mercuria Logistics	Datang Port	Lianhua Pipeline	Qingdao Finance	Mercuria Logistics	Datang Port	Lianhua Pipeline
Revenue	236,897,777	34,755,230	10,016,389	—	150,219,770	38,090,693	104,200	—
Net profit	135,303,085	8,786,028	(9,683,570)	—	83,321,033	5,340,096	(671,846)	—
Total comprehensive income	135,303,085	8,786,028	(9,683,570)	—	83,321,033	5,340,096	(671,846)	—
Cash flows from operating activities	3,038,045,092	(6,260,617)	66,626	—	575,996,142	(1,623,234)	95,960	—

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 EQUITY IN OTHER ENTITIES (Continued)

(2) Interests in joint ventures and associates

(a) General information of significant joint ventures

	Major business location	Place of registration	Nature of business	Whether strategic to the Group's activities	Shareholding (%)	
					Direct	Indirect
QQCT	Qingdao, China	Qingdao, China	Container stevedoring and stacking	Yes	51%	—
Qingdao Shihua	Qingdao, China	Qingdao, China	Liquid bulk stevedoring and stacking	Yes	50%	—

The above equity investments are measured using equity method by the Group.

(b) Summarised financial information of significant joint ventures:

	30 June 2017 (Unaudited)		31 December 2016	
	Qingdao Shihua	QQCT	Qingdao Shihua	QQCT
Current assets	417,977,922	2,032,806,854	262,842,562	2,468,308,273
Including: Cash and cash equivalents	265,284,674	1,823,427,328	236,976,525	1,457,789,038
Non-current assets	2,731,379,187	9,816,626,003	2,773,082,558	8,732,819,037
Total assets	<u>3,149,357,109</u>	<u>11,849,432,857</u>	<u>3,035,925,120</u>	<u>11,201,127,310</u>
Current liabilities	(103,992,740)	(2,995,019,225)	(271,036,901)	(2,468,163,295)
Non-current liabilities	—	(1,805,934,488)	—	(1,982,793,470)
Total liabilities	<u>(103,992,740)</u>	<u>(4,800,953,713)</u>	<u>(271,036,901)</u>	<u>(4,450,956,765)</u>
Minority interests	—	(435,457,018)	—	(419,839,733)
Attributable to shareholders of the Company	(3,045,364,369)	(6,613,022,126)	(2,764,888,219)	(6,330,330,812)
Shares of net assets in proportion (ii)	1,522,682,185	3,107,768,806	1,382,444,110	1,962,402,552
Adjustments				
– Goodwill (iii)	—	1,732,290,906	—	—
– Unrealised profits arising from internal transactions	(78,056,285)	—	(81,050,195)	—
Carrying amount of investment in joint ventures	<u>1,444,625,900</u>	<u>4,840,059,712</u>	<u>1,301,393,915</u>	<u>1,962,402,552</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 EQUITY IN OTHER ENTITIES (Continued)

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

(b) Summarised financial information of significant joint ventures: (Continued)

	six months ended 30 June 2017 (Unaudited)		six months ended 30 June 2016 (Unaudited)	
	Qingdao Shihua	QQCT	Qingdao Shihua	QQCT
Revenue	767,635,624	1,670,616,451	499,955,510	1,596,121,397
Financial expenses	1,155,375	(53,138,611)	(1,720,450)	(37,002,517)
Income tax expenses	(93,615,300)	(275,500,622)	(68,334,648)	(258,887,740)
Net profit	277,366,776	829,322,742	204,667,108	829,859,582
Net profit attributable to the Company	277,366,776	821,740,861	204,667,108	820,971,713
Other comprehensive income	—	—	—	—
Total comprehensive income	277,366,776	821,740,861	204,667,108	820,971,713
Dividends received from joint ventures by the Group for the current period	100,000,000	375,640,234	—	295,718,494
Dividends declared by joint ventures in the current period	—	617,988,772	—	295,718,494

(ii) The share of the net asset of the joint ventures was calculated by the share proportion of the Group, based on the equity attributable to shareholders of the joint ventures in the consolidated financial statement of the joint ventures, adjusted accordingly to the fair value of the identifiable assets and liabilities of the joint ventures at the acquisition date and conformed to accounting policies of the Group. As at 30 June 2017, the financial information of QQCT has been adjusted according to the fair value of the identifiable assets and liabilities at the acquisition date when the Group obtained its 20% equity interest.

(iii) As mentioned in note 6(10), the Company acquired 20% of equity interests of QQCT on 22 May 2017, and goodwill is recognised at the excess of the acquisition cost over the interest in the fair value of QQCT's identifiable net assets acquired as at the acquisition date.

(c) The associates are all immaterial to the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 EQUITY IN OTHER ENTITIES (Continued)

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

(d) Summarised financial information of insignificant joint ventures and associates

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Joint ventures:		
Aggregated carrying amount of investments	1,677,291,516	1,731,401,282
Aggregate of the following items in proportion		
Net profit (i)	78,220,580	42,304,742
Other comprehensive income (i)	—	—
Total comprehensive income	78,220,580	42,304,742
Associates:		
Aggregated carrying amount of investments	153,542,474	5,383,382
Aggregate of the following items in proportion		
Net profit (i)	1,251,594	794,749
Other comprehensive income (i)	—	—
Total comprehensive income	1,251,594	794,749

(i) The net profit and other comprehensive income have taken into account the impacts of both the fair value of the identifiable assets and liabilities upon the acquisition of investment and accounting policies unifying.

As at 30 June 2017, the Group's management considers there is no indication that the long-term equity investments may be impaired, therefore no provision for impairment is required (31 December 2016: nil).

(e) Unrecognised commitments in relation to investments in joint ventures are set out in Note 11(3).

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

9 SEGMENT INFORMATION

The Group's management assesses the Group's performance and determines reportable segments by service category. Different service categories require different technologies and marketing strategies, the Group, therefore, separately manages the production and operation of each reportable segment and evaluates their operating results respectively, in order to make decisions on resources allocation to these segments and to assess their performance.

The Group identified 6 reportable segments as follows:

- Container handling and ancillary services: loading and discharging of containers, storage and port management.
- Metal ores, coal and other cargo handling and ancillary services: loading and discharging of metal ore, coal, grains, break bulk cargo and other cargo, storage and port management.
- Liquid bulk handling and ancillary services: loading and discharging of liquid bulk, storage, transport and port management.
- Logistics and port value-added services: CFS, provision of cargo logistics, agency, towing, tallying and other services.
- Port ancillary services: provision of facilities construction services, manufacturing of port related equipment, supplying electricity power, fuel and others.
- Financial services: provision of financial products and services including provision of deposit taking activities, corporate loans, guarantee, agency insurance and others.

The Group's major operational activities are carried out in Mainland China. The Group's management does not separately manage the production and operation by region. Therefore, segment performance is not separately presented by region.

Inter-segment transfer prices are mutually agreed with reference to the market price. The assets are allocated based on the operations of the segment and the physical location of the asset. The liabilities are allocated based on the operations of the segment.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

9 SEGMENT INFORMATION (Continued)

(a) Segment information for the six months ended 30 June 2017 and as at 30 June 2017 is listed as follows (Unaudited):

	Container handling and ancillary services	Metal ores, coal and other cargo handling and ancillary services	Liquid bulk handling and ancillary services	Logistics and port value-added services	Port ancillary services	Financial services	Unallocated	Elimination	Total
Revenue from external customers	112,040,436	1,575,424,796	230,832,910	2,002,514,697	852,073,251	217,926,750	—	—	4,990,812,840
Inter-segment revenue	—	56,661,953	707,547	160,372,005	291,637,330	32,612,655	—	(541,991,490)	—
Cost of sales	(35,528,578)	(1,206,615,807)	(54,962,534)	(1,182,026,543)	(599,636,644)	(39,975,602)	—	—	(3,118,745,708)
Interest income	—	1,116,027	127,155	6,071,705	1,501,981	542,327	82,693,594	(54,565,280)	37,487,509
Interest expenses	—	(18,774,520)	(21,668,821)	(1,119,420)	(6,526,097)	1,237,213	(60,493,232)	47,077,489	(60,267,388)
Share of profit of associates and joint ventures	304,264,048	20,013,731	136,865,578	49,358,061	—	543,934	—	—	511,045,352
Provision for asset impairment losses	—	—	—	—	(1,905,708)	(4,756,508)	—	—	(6,662,216)
Depreciation and amortisation	(9,416,113)	(132,543,067)	(33,643,178)	(36,651,565)	(16,687,668)	(1,127,474)	(70,563,493)	—	(300,632,558)
Total profit	386,308,958	260,408,407	287,154,912	818,625,812	176,456,916	204,798,065	(52,873,104)	(17,853,708)	2,063,026,258
Income tax expenses	—	(3,246,352)	(15,113,542)	(166,065,430)	(21,226,259)	(49,360,288)	(156,580,460)	1,197,646	(410,394,685)
Net profit	386,308,958	257,162,055	272,041,370	652,560,382	155,230,657	155,437,777	(209,453,564)	(16,656,062)	1,652,631,573
Total assets	5,745,680,637	9,161,748,720	6,752,499,082	4,025,137,438	5,524,795,072	14,740,141,595	10,194,532,933	(8,377,493,074)	47,767,042,403
Total liabilities	62,030,000	3,320,297,619	3,835,868,747	1,275,522,827	7,079,669,076	12,299,245,377	5,188,906,179	(8,609,619,052)	24,451,920,773
Non-cash expenses other than depreciation and amortisation	—	22,200,000	1,020,000	5,810,000	16,480,000	10,000	—	—	45,520,000
Long-term equity investments in associates and joint ventures	5,032,138,724	992,188,031	1,588,843,638	411,805,275	—	90,543,934	—	—	8,115,519,602
Additions of non-current assets (i)	24,007,320	260,153,550	1,102,463,958	91,871,638	19,483,106	(39,100,377)	15,188,787	(10,748,659)	1,463,319,323

(i) Non-current assets do not include financial assets, long-term equity investments and deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

9 SEGMENT INFORMATION (Continued)

(b) Segment information for the six months ended 30 June 2016 and as at 30 June 2016 is listed as follows (Unaudited):

	Container handling and ancillary services	Metal ores, coal and other cargo handling and ancillary services	Liquid bulk handling and ancillary services	Logistics and port value-added services	Port ancillary services	Financial services	Unallocated	Elimination	Total
Revenue from external customers	95,461,170	1,364,350,562	55,815,887	1,597,727,856	998,826,183	146,974,318	—	—	4,259,155,976
Inter-segment revenue	—	46,560,888	—	8,285,582	374,779,778	10,213,046	—	(439,839,294)	—
Cost of sales	(36,203,042)	(936,463,173)	(8,466,237)	(1,017,804,432)	(743,246,930)	(21,181,868)	—	—	(2,763,365,682)
Interest income	—	1,217,622	221,308	3,380,360	1,079,726	156,739	51,268,814	(28,827,503)	28,497,066
Interest expenses	—	(6,039,225)	—	(69,963)	(369,313)	—	(39,135,533)	4,492,635	(41,121,399)
Share of profit of an associate and joint ventures	263,276,715	7,482,081	101,012,977	26,855,079	—	—	—	—	398,626,852
Provision for asset impairment losses	—	(114,412)	—	(9,011,406)	(2,099,796)	(7,664,663)	—	—	(18,890,277)
Depreciation and amortisation	(3,767,137)	(120,485,425)	(4,237,471)	(42,027,468)	(65,375,282)	(1,034,771)	(5,998,445)	—	(242,925,999)
Total profit	321,624,843	279,749,302	147,318,367	536,793,754	232,918,779	120,827,240	(61,090,800)	(23,564,612)	1,554,576,873
Income tax expenses	—	(2,186,795)	(128,231)	(100,380,533)	(34,627,775)	(29,563,747)	(139,073,947)	4,204,829	(301,756,199)
Net profit	<u>321,624,843</u>	<u>277,562,507</u>	<u>147,190,136</u>	<u>436,413,221</u>	<u>198,291,004</u>	<u>91,263,493</u>	<u>(200,164,747)</u>	<u>(19,359,783)</u>	<u>1,252,820,674</u>
Total assets	<u>2,053,070,860</u>	<u>9,216,854,244</u>	<u>3,747,705,080</u>	<u>3,356,076,422</u>	<u>5,183,510,043</u>	<u>10,715,054,653</u>	<u>6,746,353,925</u>	<u>(4,264,608,953)</u>	<u>36,754,016,274</u>
Total liabilities	<u>73,090,000</u>	<u>3,158,298,955</u>	<u>1,055,149,053</u>	<u>1,041,652,096</u>	<u>6,833,594,134</u>	<u>9,551,912,990</u>	<u>5,421,771,739</u>	<u>(4,676,811,916)</u>	<u>22,458,657,051</u>
Non-cash expenses other than depreciation and amortisation	<u>—</u>	<u>23,560,000</u>	<u>20,000</u>	<u>6,410,000</u>	<u>17,690,000</u>	<u>10,000</u>	<u>—</u>	<u>—</u>	<u>47,690,000</u>
Long-term equity investments in an associate and joint ventures	<u>1,838,782,850</u>	<u>957,544,951</u>	<u>1,588,976,735</u>	<u>372,494,076</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,757,798,612</u>
Additions of non-current assets (i)	<u>—</u>	<u>565,912,605</u>	<u>359,106,864</u>	<u>47,141,374</u>	<u>53,836,420</u>	<u>4,487,895</u>	<u>2,907,836</u>	<u>(35,103,185)</u>	<u>998,289,809</u>

(i) Non-current assets do not include financial assets, long-term equity investments and deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

9 SEGMENT INFORMATION (Continued)

- (c) Reconciliation between reportable segment revenue from external customers, reportable segment interest income, reportable segment cost of sales and reportable segment interest expenses and amounts in consolidated financial statements is listed as follows:

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Revenue -		
Reportable segment revenue from external customers	4,990,812,840	4,259,155,976
Reclassification of interest income, from external customers of Qingdao Finance (i)	(205,785,533)	(137,236,955)
Consolidated revenue (Note 6(36))	<u>4,785,027,307</u>	<u>4,121,919,021</u>
Interest income -		
Reportable segment interest income	37,487,509	28,497,066
Reclassification of interest income, from external customers of Qingdao Finance (i)	205,785,533	137,236,955
Consolidated interest income (Note 6(38))	<u>243,273,042</u>	<u>165,734,021</u>
Cost of sales-		
Reportable segment cost of sales	3,118,745,708	2,763,365,682
Reclassification of interest expenses, from external customers of Qingdao Finance (ii)	(39,511,335)	(20,758,536)
Consolidated cost of sales (Note 6(36))	<u>3,079,234,373</u>	<u>2,742,607,146</u>
Interest expenses -		
Reportable segment interest expenses	60,267,388	41,121,399
Reclassification of interest expenses, from external customers of Qingdao Finance (ii)	39,511,335	20,758,536
Consolidated interest expenses (Note 6(38))	<u>99,778,723</u>	<u>61,879,935</u>

- (i) Reportable segment revenue from external customers includes interest income from external customers of Qingdao Finance, which is presented as financial expenses - interest income in the consolidated financial statements.
- (ii) Reportable segment interest expenses do not include interest expenses from external customers of Qingdao Finance, which are presented as cost of sales in segment information.

The Group's main revenue from external customers and additions to non-current assets other than financial assets and deferred tax assets are mainly gained or located in China.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) The parent company

(a) General information of the parent company

	Place of registration	Principal activities
Qingdao Port Group	Qingdao, China	Port operation and management

The Company's ultimate controlling party is State-Owned Assets Supervision and Administration Commission of Qingdao City.

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

	31 December 2016	Increase in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2017 (Unaudited)
Qingdao Port Group	1,860,000,000	—	—	1,860,000,000

(c) The percentages of shareholding and voting rights in the Company held by the parent company

	30 June 2017 (Unaudited)		31 December 2016	
	Shareholding (%)	Voting rights (%)	Shareholding (%)	Voting rights (%)
Qingdao Port Group	58.45%	58.45%	73.84%	73.84%

(2) Subsidiaries

The general information and other related information of the subsidiaries is set out in Note 8.

As at 19 November 2016, Bonded Logistics Centre was transformed from a joint venture into a subsidiary of the Company. For the period from 1 January 2016 to the date of combination, the transactions between the Group and Bonded Logistics Centre were still treated as related party transactions.

As at 5 May 2017, Vopak Logistics was transformed from a joint venture into a subsidiary of the Company. For the period from 1 January 2017 to the date of combination, the transactions between the Group and Vopak Logistics were still treated as related party transactions.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(3) Information of joint ventures and associates

Except for the information of significant joint ventures and associates disclosed in Note 8, other joint ventures and associates with which the Group having related party transactions are as follows:

Name of company	Relationship with the Group
West United	Joint venture
Qingwei Container	Joint venture
Evergreen Container	Joint venture
Orient Container	Joint venture
Haiwan Liquid Chemical	Joint venture
Ganghai Logistics	Joint venture
Shenzhouxing Transportation	Joint venture
China Shipping Agency	Joint venture
United Shipping Agency	Joint venture
Huaneng Qingdao	Joint venture
Dongjiakou IMC Logistics	Joint venture
QDOT	Joint venture
Linyi Express	Joint venture
Henan Yuqing	Joint venture
Dongjiakou Sinotrans Logistics	Joint venture
Yuntai Logistics	Joint venture
Lianrong Logistics	Joint venture
Binzhou Port QDP International Terminal	Joint venture
Ganghua Logistics	Associate

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(4) Other related parties

Name of company	Relationship with the Group
Qingdao Harbour Hospital Investment and management Co., Ltd. ("Harbour Hospital")	Controlled by the same parent company
Qingdao Port (Group) Tongda Industrial Corporation ("Tongda Industrial")	Controlled by the same parent company
Qingdao Harbour Vocational and Technical College ("QHVTC")	Controlled by the same parent company
Fuwai Hospital	Controlled by the same parent company
Qingdao Hongyu Grand Hotel ("Hongyu Hotel")	Controlled by the same parent company
Qingdao Laoshan Scenic Spot Yingzhu Holiday Village	Controlled by the same parent company
Qingdao Port Investment and Construction (Group) Co., Ltd ("QDP Investment")	Controlled by the same parent company
Qingdao Port Investment Shipping Co., Ltd. ("QPIS")	Controlled by the same parent company
Fund Management	Controlled by the same parent company
Qingdao International Cruise Co., Ltd. ("QD International Cruise")	Controlled by the same parent company
Qingdao International Cruise Port Development & Construction Co., Ltd. (Formerly known as: Qingdao Passenger Liner Home Port Co. Ltd.) ("QD Cruise Port Development")	Controlled by the same parent company
Qingdao Port Investment of Real Estate Co., Ltd. ("QDP Investment Real Estate")	Controlled by the same parent company
Qingdao Qianwan Construction Development Group Co., Ltd. ("Qianwan Construction")	Controlled by the same parent company
Qingdao Sheng Gang Investment Co., Ltd. ("Shenggang Investment")	Controlled by the same parent company
Qingdao Port Micro Lending Co., Ltd.	Controlled by the same parent company
Qingdao Port Financial Holding Co., Ltd. ("Financial Holding")	Controlled by the same parent company
Qingdao Cruise Home Port Development & Construction Co., Ltd. ("Cruise Home Port")	Controlled by the same parent company
Qingdao Port Public Security Bureau	Administrative institution of the parent company
Qingdao Gangsheng International Logistics and Refrigeration Co., Ltd. ("Gangsheng Logistics")	Associate of the parent company
QQCTN	Subsidiary of QQCT, and with same key management
Joint venture of QQCTN, and with same key management	Joint venture of QQCTU, and with same key management
Qingdao Qianwan United Advanced Container Terminal Co., Ltd. ("QQCTUA")	
Qingdao Qianwan Intelligent Container Terminal Co., Ltd. ("QQCTI")	Subsidiary of QQCTN, and with same key management

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(4) Other related parties (Continued)

Name of company	Relationship with the Group
Qingdao Xi'anxintong Logistics Co., Ltd.	Joint venture of West United, and with same key management
Qingdao Dongjiakou Mineral Inspection Co., Ltd. ("Dongjiakou Mineral Inspection")	Joint venture of QDOT and with same key management
China Marine Bunker Qingdao Co., Ltd. ("China Marine Bunker Qingdao")	Controlled by the shareholders who have a significant impact on the Group
China Qingdao Ocean Shipping Agency Co., Ltd. ("Qingdao Ocean Shipping")	Controlled by the shareholders who have a significant impact on the Group
Qingdao Ocean & Great Asia Logistics Co., Ltd. ("Ocean & Great Asia")	Controlled by the shareholders who have a significant impact on the Group
Shanghai Pan-Asia Shipping Co., Ltd. ("Shanghai Pan-Asia Shipping")	Controlled by the shareholders who have a significant impact on the Group
COSCO SHIPPING Lines Co., Ltd. ("COSCO SHIPPING Lines")	Controlled by the shareholders who have a significant impact on the Group
COSCO SHIPPING Lines (Qingdao) Co., Ltd. ("COSCO SHIPPING Lines Qingdao")	Controlled by the shareholders who have a significant impact on the Group
COSCO Qingdao Container Shipping Agency Co., Ltd. ("COSCO Container SHIPPING")	Controlled by the shareholders who have a significant impact on the Group
China Shipping Container Lines (Qingdao) Co., Ltd. ("China Shipping Container")	Controlled by the shareholders who have a significant impact on the Group
COSCO Qingdao marine logistics international Storage & Transportation Co., Ltd.	Controlled by the shareholders who have a significant impact on the Group
Xinxinhai SHIPPING Co., Ltd. ("Xinxinhai SHIPPING")	Controlled by the shareholders who have a significant impact on the Group
COSCO SHIPPING Qingdao International Freight Co., Ltd. ("COSCO SHIPPING Freight")	Controlled by the shareholders who have a significant impact on the Group
COSCO SHIPPING Logistics Co., Ltd.	Controlled by the shareholders who have a significant impact on the Group
Qingdao Xin Dong Fang Container Storage & Transportation Co., Ltd.	Controlled by the shareholders who have a significant impact on the Group
COSCO SHIPPING Logistics Co., Ltd.	Controlled by the shareholders who have a significant impact on the Group
China Marine Bunker YINDA Qingdao Co., Ltd.	Controlled by the shareholders who have a significant impact on the Group
Qingdao Gangwan International Logistics Co., Ltd.	Controlled by the shareholders who have a significant impact on the Group
COSCO SHIPPING Logistics (Henan) Co., Ltd.	Controlled by the shareholders who have a significant impact on the Group

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions

(a) Pricing policies

The transaction between the Group and related parties is based on mutually agreed price and settlement terms between both parties in the process of general business. Rental from and to related parties are negotiated by both parties. Interest rate of loans to and deposits from related parties of Qingdao Finance, is mutually agreed based on the corresponding interest rates issued by the People's Bank of China.

(b) Purchase of goods or services

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
QDOT	303,196,447	260,257,604
China Marine Bunker Qingdao	59,467,154	46,821,975
West United	45,952,025	32,222,322
Huaneng Qingdao	13,351,938	18,254,322
Qingdao Shihua	7,292,069	617,139
Hongyu Hotel	4,335,581	174,737
QQCTU	3,551,101	4,288,363
COSCO SHIPPING Lines Qingdao	1,846,610	—
Fuwai Hospital	1,119,957	886,874
QQCT	1,100,307	2,329,287
Bonded Logistics Centre	—	2,565,003
Others	2,631,827	4,535,184
	<u>443,845,016</u>	<u>372,952,810</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(c) Provision of services such as transportation, stevedoring and repairing

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
QQCT	101,822,127	86,115,182
Qingdao Ocean Shipping	60,084,797	54,232,278
Qingdao Shihua	51,249,373	20,429,074
QDOT	45,843,016	55,705,568
QQCTU	34,770,194	29,475,335
Dongjiakou IMC Logistics	27,711,650	21,482
Ocean & Great Asia	20,240,705	11,667,681
QQCTUA	15,336,143	11,715,263
QQCTN	14,517,495	399,282
Shenzhouxing Transportation	13,759,203	5,877,527
QDP Investment	12,096,202	5,107,979
Evergreen Container	9,354,908	7,274,009
COSCO SHIPPING Lines	9,227,442	3,438,210
Qingdao Port Group	8,980,474	7,193,197
Shanghai Pan-Asia Shipping	5,151,785	3,162
Binzhou Port QDP International Terminal	5,016,454	1,576,577
Orient Container	4,772,734	3,028,777
COSCO SHIPPING Lines Qingdao	3,234,764	50,578
Lianrong Logistics	3,045,375	1,975,249
Ganghua Logistics	3,034,158	12,863,729
West United	2,793,112	6,437,005
QD Cruise Port Development	2,057,861	3,576,110
Ganghai Logistics	1,754,961	649,009
Xinxinhai SHIPPING	1,540,115	—
QQCTI	6,127	2,598,101
Bonded Logistics Centre	—	2,509,092
Others	5,051,295	4,200,645
	462,452,470	338,120,101

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(d) Provision of construction services

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
QQCTN	106,861,789	164,260,756
QDP Investment	58,068,673	26,511,919
QDP Investment Real Estate	16,780,772	6,194,175
QHVTC	11,305,948	12,476,050
Qingdao Port Group	11,292,007	26,206,482
West United	7,456,220	—
QQCTU	6,067,174	1,860,815
Haiwan Liquid Chemical	3,280,712	—
QQCT	2,676,406	3,628,063
Qingdao Shihua	841,844	7,671,540
Fuwai Hospital	524	6,147,535
QDOT	—	98,546,178
Others	45,778	7,089
	224,677,847	353,510,602

(e) Sales of port machinery and other machineries

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
QQCTN	47,562,458	—
QDOT	32,791,534	4,707,447
QQCT	19,974,021	9,371,368
QQCTI	—	120,508,689
Others	817,419	492,308
	101,145,432	135,079,812

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(f) Sales of water, electricity, steam and oil, etc.

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
QQCT	59,458,543	52,969,925
QDOT	58,263,664	54,376,342
QQCTUA	6,475,843	308,797
West United	5,993,101	4,196,268
Qingdao Shihua	4,280,130	4,552,397
QQCTU	3,467,024	2,555,034
Evergreen Container	1,966,986	1,632,101
QD Cruise Port Development	1,320,352	917,036
Orient Container	1,071,788	886,557
Others	4,851,027	5,383,741
	147,148,458	127,778,198

(g) Rental income

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Qingdao Shihua	159,402,900	16,110,000
QQCT	114,541,092	99,488,710
QDOT	16,045,201	179,487
Ocean & Great Asia	2,887,188	3,237,296
Orient Container	2,841,102	3,042,700
Binzhou Port QDP International Terminal	2,136,652	—
Lianrong Logistics	1,653,349	—
QQCTN	1,382,547	1,315,880
Shenzhouxing Transportation	355,385	2,845,120
Evergreen Container	17,143	3,059,193
Bonded Logistics Centre	—	4,457,143
Others	1,029,017	1,000,294
	302,291,576	134,735,823

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(h) Payment for operating lease rentals

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Qingdao Port Group	38,139,253	38,941,140
QQCTU	2,228,938	—
QDP Investment	2,138,009	795,000
West United	1,730,212	—
QQCT	1,256,915	—
	<u>45,493,327</u>	<u>39,736,140</u>

(i) Port Management income collected on behalf by related parties

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Qingdao Shihua	55,353,147	32,818,917
QQCT	41,511,747	38,245,438
QQCTU	14,755,408	12,421,564
QDOT	3,707,594	—
QQCTUA	2,978,432	2,578,977
West United	2,951,149	3,055,223
QQCTN	362,813	—
	<u>121,620,290</u>	<u>89,120,119</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(j) Loans provided to related parties

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Fuwai Hospital	159,000,000	—
QDOT	122,970,868	769,606,317
Yuntai Logistics	60,000,000	10,000,000
Haiwan Liquid Chemical	46,509,525	23,862,011
West United	46,000,000	140,000,000
QQCT	30,362,342	—
QQCTU	—	675,000,000
QQCTN	—	598,280,370
Huaneng Qingdao	—	60,000,000
	464,842,735	2,276,748,698

(k) Interests income of loans and financial leasing business

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
QQCTU	33,490,861	32,180,435
QQCTN	20,277,020	9,069,572
QDOT	19,520,046	8,713,815
West United	4,907,719	4,997,279
Qingwei Container	3,108,848	—
Haiwan Liquid Chemical	2,114,730	195,378
Fuwai Hospital	2,025,377	—
Yuntai Logistics	1,219,886	612,837
Huaneng Qingdao	862,292	1,291,086
Qingdao Shihua	—	2,257,167
Others	241,274	—
	87,768,053	59,317,569

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(l) Interests expenses

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Qingdao Port Group	25,286,529	11,783,544
QQCT	5,243,555	3,160,078
QQCTI	1,176,985	396,975
Dongjiakou IMC Logistics	1,173,996	—
Qingdao Shihua	1,126,571	503,757
QQCTN	1,087,258	135,127
Others	4,238,748	4,515,362
	39,333,642	20,494,843

(m) Acquisition of assets

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Qingdao Port Group	305,289,966	—
QDP Investment	156,370,500	58,654,924
QQCT	18,080,920	—
	479,741,386	58,654,924

(n) Key management remuneration

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Key management remuneration	1,848,768	1,221,382

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(o) Entrusted construction projects

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Amount paid on behalf -		
QQCTN	152,308,655	164,403,987
Qingdao Port Group	21,267,286	85,068,459
Qingdao Shihua	13,030,471	7,834,502
	186,606,412	257,306,948
Amount received -		
QQCTN	127,525,011	106,799,044
Qingdao Port Group	31,033,380	89,739,054
Qingdao Shihua	19,397,446	6,684,116
QQCTU	—	4,536,219
	177,955,837	207,758,433

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(p) Port construction fees, harbour dues and port facility security fees collected on behalf of related parties and reimbursed to related parties

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Collected on behalf of related parties -		
QQCT	289,711,395	262,569,000
QQCTU	108,215,429	104,631,000
QQCTUA	20,801,921	22,107,000
	<u>418,728,745</u>	<u>389,307,000</u>
Reimbursed to related parties -		
QQCT	275,301,823	261,904,000
QQCTU	104,325,915	99,326,000
QQCTUA	20,595,339	21,002,000
	<u>400,223,077</u>	<u>382,232,000</u>

Port construction fees, harbour dues and port facility security fees collected and reimbursed on behalf of related parties is collected by the Company's subsidiary - QDP Logistics on behalf of related parties - QQCT, QQCTU and QQCTUA from their clients and reimbursed to above related parties.

(q) Early retirement and supplemental retirement benefits paid on behalf of related parties

For the year ended 31 December 2014 and 2015, Qingdao Port Group transferred liabilities of RMB 63,990,000 provided for early retirement and supplemental retirement benefits to the Group, so as to offset the Group's payable to Qingdao Port Group. The Group will pay off the liability on behalf of Qingdao Port Group in the future.

For the six months ended 30 June 2017, the Group had paid the early retirement and supplemental retirement benefits of RMB 181,551 on behalf of Qingdao Port Group (for the six months ended 30 June 2016: RMB 1,902,256). Qingdao Port Group transferred additional liabilities of RMB 1,066,314 provided for early retirement and supplemental retirement benefits to the Group, continuing to offset the Group's payable to Qingdao Port Group.

The Group will continue to manage and settle the payment on behalf of Qingdao Port Group from 1 July 2017. The current portion of this liability is presented in other payables while the remaining parts in long-term payables (Note 6(27)).

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties

(a) Accounts receivable

	30 June 2017 (Unaudited)	31 December 2016
QDP Investment	79,786,983	62,946,849
West United	57,392,013	53,492,159
QDOT	48,734,901	38,684,920
QQCT	42,652,767	18,685,778
QQCTU	36,619,974	26,077,947
Qingdao Port Group	25,347,144	16,919,513
QDP Investment Real Estate	21,224,697	—
Qingdao Shihua	19,482,956	10,417,290
Dongjiakou IMC Logistics	13,045,833	975,513
Shenzhouxing Transportation	11,784,410	1,739,076
Fuwai Hospital	8,181,403	7,696,575
QQCTN	6,802,643	2,122,293
Evergreen Container	4,488,178	2,600,273
Ocean & Great Asia	3,893,538	2,531,560
QQCTUA	3,635,466	1,072,766
Binzhou Port QDP International Terminal	3,074,000	2,283,800
Yuntai Logistics	2,663,174	10,481
Orient Container	2,482,437	1,011,725
Shanghai Pan-Asia Shipping	2,377,060	442,604
COSCO SHIPPING Lines	2,374,562	—
Lianrong Logistics	1,274,769	585,644
Haiwan Liquid Chemical	1,185,706	4,353,033
Others	4,162,975	5,463,481
	402,667,589	260,113,280

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties (Continued)

(b) Other receivables

	30 June 2017 (Unaudited)	31 December 2016
Short-term borrowings -		
QDOT	142,970,868	151,451,402
Yuntai Logistics	60,000,000	10,000,000
West United	46,000,000	40,000,000
QQCTN	39,800,000	39,858,274
Fuwai Hospital	25,000,000	—
Haiwan Liquid Chemical	1,054,120	902,400
Huaneng Qingdao	—	60,000,000
	314,824,988	302,212,076

The amounts of borrowings of Qingdao Finance do not include provision for bad debts.

Others -		
QQCTN	209,852,938	180,473,154
QDOT	6,165,000	14,579,322
QQCTU	5,689,920	9,745,323
Dongjiakou IMC Logistics	5,016,256	—
Binzhou Port QDP International Terminal	2,250,311	3,480,866
West United	362,594	4,107,478
Qingdao Shihua	204,291	13,878,327
QQCT	106,507	12,276,762
Shenzhouxing Transportation	—	1,354,819
QHVTC	—	1,021,821
Others	2,440,654	5,347,771
	232,088,471	246,265,643
	546,913,459	548,477,719

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties (Continued)

(c) Interests receivable

	30 June 2017 (Unaudited)	31 December 2016
QQCTU	2,029,635	2,166,198
QQCTN	1,239,855	1,303,648
Others	1,720,446	1,648,104
	<u>4,989,936</u>	<u>5,117,950</u>

(d) Dividends receivable

	30 June 2017 (Unaudited)	31 December 2016
QQCT	242,348,538	—
Qingdao Shihua	—	100,000,000
	<u>242,348,538</u>	<u>100,000,000</u>

(e) Advances to suppliers

	30 June 2017 (Unaudited)	31 December 2016
QQCTU	3,836,000	—
West United	3,345,170	—
Hongyu Hotel	—	308,000
Qingdao Ocean Shipping	—	214,113
Others	1,786,657	—
	<u>8,967,827</u>	<u>522,113</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties (Continued)

(f) Current portion of non-current assets

	30 June 2017 (Unaudited)	31 December 2016
QQCTN	419,010,000	199,940,000
QQCTU	40,000,000	35,000,000
QDOT	23,407,201	22,881,331
Qingwei Container	20,000,000	32,000,000
Yuntai Logistics	16,600,000	7,200,000
West United	14,000,000	6,500,000
Fuwai Hospital	4,335,241	4,048,618
Haiwan Liquid Chemical	2,759,366	863,711
QQCT	234,381	—
	540,346,189	308,433,660

(g) Long-term receivables

	30 June 2017 (Unaudited)	31 December 2016
QQCTU	1,505,000,000	1,525,000,000
QDOT	891,805,400	892,522,064
QQCTN	440,000,000	661,530,000
Fuwai Hospital	168,737,700	35,157,943
West United	143,000,000	190,500,000
Qingwei Container	115,000,000	130,000,000
Haiwan Liquid Chemical	106,190,000	63,010,000
QQCT	30,369,234	—
Yuntai Logistics	—	16,500,000
	3,400,102,334	3,514,220,007

The amounts of borrowings of Qingdao Finance do not include provision for bad debts.

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For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties (Continued)

(h) Accounts payable

	30 June 2017 (Unaudited)	31 December 2016
QDOT	177,053,803	146,188,371
China Marine Bunker Qingdao	17,565,390	—
Huaneng Qingdao	10,260,558	12,692,154
QQCTU	3,247,778	58,958
Evergreen Container	2,770,583	338,905
Ocean & Great Asia	1,507,656	—
Others	2,158,707	1,977,015
	<u>214,564,475</u>	<u>161,255,403</u>

(i) Advances from customers

	30 June 2017 (Unaudited)	31 December 2016
QQCT	216,443,874	197,421,375
Qingdao Shihua	22,251,460	2,220,000
Ocean & Great Asia	3,394,153	—
Orient Container	3,279,317	348,857
QQCTN	3,204,418	2,518,940
QQCTU	1,302,250	1,210,360
Shenzhouxing Transportation	1,209,962	257,958
Evergreen Container	1,038,288	495,083
Others	448,386	107,637
	<u>252,572,108</u>	<u>204,580,210</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties (Continued)

(j) Other payables

	30 June 2017 (Unaudited)	31 December 2016
Ending balance of customer deposits -		
Qingdao Port Group	3,612,176,901	4,576,904,990
Financial Holding	1,499,913,254	—
QQCT	853,986,694	1,097,910,462
QQCTU	329,492,607	123,366,873
Qingdao Shihua	265,284,674	236,976,525
Dongjiakou IMC Logistics	261,344,224	34,411,418
QQCTI	178,992,687	173,406,171
QQCTN	165,032,005	126,762,922
QDP Investment	150,653,831	119,900,476
Fuwai Hospital	76,652,367	81,536,416
QD Cruise Port Development	64,695,164	73,130,534
QHVTC	52,400,705	78,184,162
QQCTUA	49,205,142	36,321,405
Shenggang Investment	34,233,758	—
Dongjiakou Sinotrans Logistics	27,677,522	28,202,253
Ganghua Logistics	22,184,223	27,963,101
Qingdao Port Public Security Bureau	22,068,489	1,034,013
Qianwan Construction	20,592,611	—
Ganghai Logistics	19,127,152	29,336,470
Orient Container	17,000,000	17,000,000
Gangsheng Logistics	15,435,656	15,346,707
Evergreen Container	12,434,560	12,368,276
Lianrong Logistics	12,351,729	9,062,602
International Cruise	9,017,339	—
West United	7,962,675	26,657,970
Yuntai Logistics	6,910,589	21,768,900
QDP Investment Real Estate	5,958,566	—
Harbour Hospital	3,606,218	3,611,199
Fund Management	2,530,093	—
Dongjiakou Mineral Inspection	2,244,355	71,995
Tongda Industrial	2,239,042	2,194,453
QDOT	2,102,848	3,111,243
Hongyu Hotel	1,337,828	1,634,269
Binzhou Port QDP International Terminal	1,015,820	1,015,792
Haiwan Liquid Chemical	864,258	3,001,962
Vopak Logistics	—	2,453,127
Others	950,170	945,868
	7,809,675,756	6,965,592,554

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties (Continued)

(j) Other payables (Continued)

	30 June 2017 (Unaudited)	31 December 2016
Others -		
QDP Investment	143,328,953	105,572,895
QQCT	45,862,583	12,607,844
Qingdao Port Group	28,130,500	481,294,157
COSCO SHIPPING Lines Qingdao	10,694,869	—
QQCTU	8,996,949	5,115,517
COSCO Container SHIPPING	5,697,171	—
China Shipping Container	2,516,057	—
Qingdao Shihua	1,336,760	7,961,383
QQCTUA	1,131,250	959,358
QDP Investment Real Estate	1,101,440	177,935
Others	3,179,039	2,288,920
	251,975,571	615,978,009
	8,061,651,327	7,581,570,563

(k) Interests payable

	30 June 2017 (Unaudited)	31 December 2016
Qingdao Port Group	37,669,218	21,672,995
QQCT	5,499,121	5,181,543
QQCTI	1,606,546	455,430
Others	4,391,905	1,763,879
	49,166,790	29,073,847

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties (Continued)

(l) Dividends Payable

	30 June 2017 (Unaudited)	31 December 2016
Qingdao Port Group	460,291,059	—
Shanghai China Shipping Terminal	132,484,739	—
Qingdao Ocean Shipping Co., Ltd.	12,524,160	—
China Shipping Terminal Development Co., Ltd.	12,524,160	—
	<u>617,824,118</u>	<u>—</u>

(m) Other non-current liabilities

	30 June 2017 (Unaudited)	31 December 2016
QQCT	3,111,904,248	3,210,614,935
QQCTN	54,157,210	55,416,680
QQCTU	16,743,313	17,348,493
Qingdao Shihua	1,110,000	2,220,000
	<u>3,183,914,771</u>	<u>3,285,600,108</u>

(n) Notes payable

	30 June 2017 (Unaudited)	31 December 2016
Qingdao Port Group	<u>22,677,298</u>	<u>42,677,298</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(7) Commitments in relation to related parties

Except for the Port Facilities in Qianwan port area leased out to QQCT and dock basin leased to QQCTN and QQCTU stated in Note 6(30), the commitments in relation to related parties contracted for but not yet necessary to be recognised on the balance sheet by the Group as at the balance sheet date are as follows:

Assets transfer – transfer into

	30 June 2017 (Unaudited)	31 December 2016
QDP Investment	<u>62,692,500</u>	<u>—</u>

Leases – Lessee

	30 June 2017 (Unaudited)	31 December 2016
Qingdao Port Group	38,237,940	—
West United	4,500,000	—
QDP Investment	3,600,000	—
QQCTU	1,651,200	—
QQCT	600,000	—
	<u>48,589,140</u>	<u>—</u>

Leases - Lessor

	30 June 2017 (Unaudited)	31 December 2016
QQCT	416,945,000	429,150,000
Qingdao Shihua	167,600,000	—
QDOT	16,659,000	—
Binzhou Port QDP International Terminal	6,498,000	—
Ocean & Great Asia	3,031,550	—
Orient Container	2,792,881	—
Lianrong Logistics	1,736,015	—
Evergreen Container	36,000	—
Shenzhouxing Transportation	—	4,267,680
	<u>615,298,446</u>	<u>433,417,680</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(8) Off-balance sheet activities

As entrusted by related parties, the Company's subsidiary, Qingdao Finance, offers entrusted loans to other designated related parties. For the six months ended 30 June 2017, principal of new entrusted loan business offered by Qingdao Finance amounts to RMB 9,000,000. As at 30 June 2017, entrusted loans amounted to RMB 1,547,343,470 (31 December 2016: RMB 1,677,343,470). Maturity of entrusted loans aforesaid ranged from 1 year to 10 years. If the principal and interest of entrusted loans cannot be recovered, the risk is borne by the entrusted loan fund provider rather than Qingdao Finance. Entrusted loans aforesaid are classified into off-balance sheet items. Therefore, related balances of receivable and payable are not recognised in the consolidated financial statements. Management are of the view that the entrusted loans arrangement aforesaid will not expose the Group to any significant credit risk.

Off-balance sheet activities related to investment commitments are set out in Note 11(4).

11 COMMITMENTS

(1) Capital commitments

Capital expenditures contracted for by the Group at the balance sheet date but are not yet necessary to be recognised on the balance sheet are as follows:

	30 June 2017 (Unaudited)	31 December 2016
Terminal facilities and others	<u>604,461,849</u>	<u>215,627,269</u>

(2) Operating lease commitments

(a) Operating lease commitments as lessee

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarised as follows:

	30 June 2017 (Unaudited)	31 December 2016
Within 1 year	56,200,559	10,351,152
1 to 2 years	7,998,802	7,998,802
2 to 3 years	7,998,802	7,998,802
Over 3 years	<u>7,267,369</u>	<u>11,266,770</u>
	<u>79,465,532</u>	<u>37,615,526</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

11 COMMITMENTS (Continued)

(2) Operating lease commitments (Continued)

(b) Operating lease commitments as lessor

Except for the operating lease commitments as lessor mentioned in Note 6(30), the future leases received due under the signed irrevocable operating leases contracts are summarised as follows:

	30 June 2017 (Unaudited)	31 December 2016
Within 1 year	238,022,974	47,497,564
1 to 2 years	31,563,667	30,919,496
2 to 3 years	29,699,000	29,567,267
Over 3 years	329,015,000	353,393,322
	628,300,641	461,377,649

(3) Investment commitments

In accordance with the joint investment agreement signed between the Group and Binzhou Port Group Co., Ltd. dated December 2014, the Group is committed to make an investment of RMB25,000,000 in the joint venture, Binzhou Port QDP International Terminal. As at 30 June 2017, the Company has made an accumulated contribution of RMB 4,000,000 with an amount of RMB 21,000,000 unpaid.

In accordance with the joint investment agreement signed between the Group and Qingdao Yuanchang Industrial Co., Ltd. dated June 2014, the Group is committed to make an investment of RMB 32,000,000 in the joint venture, Yantai Logistics. As at 30 June 2017, the Company has made an accumulated contribution of RMB 16,000,000 with an amount of RMB 16,000,000 unpaid.

In accordance with the agreement signed by the Group, APM Terminals B.V. and Vado Investment in October 2016, the Group is committed to make an investment of EUR 1,745,370 to acquire 16.5% equity interest of Vado Investment from APM Terminals B.V., and make an investment of EUR 14,077,800 in Vado Investment at equal proportion, with EUR 15,823,170 in total. As at 30 June 2017, the unpaid amount is EUR 7,954,239.

(4) Credit commitments

As at 30 June 2017, Qingdao Port Group, its subsidiaries and other related parties purchased raw materials and equipment from third parties, thus have issued acceptance notes through Qingdao Finance with RMB 16,525,265 in total (31 December 2016: RMB 101,093,780). Qingdao Finance collected some guarantee from the applicant at certain proportion of the amount issued, and will pay to the third party directly when the notes fall due.

Besides, the Group entered into construction contracts of port facilities with certain related parties. Some related parties requested the Group to issue letter of guarantee to insure that the construction project will be completed in time with required quality as set out in the contract. As at 30 June 2017, Qingdao Finance issued letter of guarantee with the amount of approximately RMB 62,093,200 (31 December 2016: RMB 15,804,000) for the purpose aforesaid.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

12 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

As at 18 July 2017, the Company entered into the equity transfer agreement with Financial Holdings, which agreed that the Company disposed 100% equity interests in Assets Management Company to Financial Holdings, with a consideration of RMB 177,088,324. The change of business registration has been completed on 10 August 2017.

As at 18 July 2017, one of the Company's subsidiaries, Datang Port, received litigation document from the court, stating that China Ocean Engineering Construction General Bureau have initiated litigations against Datang Port for a payment of RMB 28,908,677 for construction project and related interest. Up to the date when this financial statement is approved for issue, the above litigation is still under investigation. The Board is of the view that the aforesaid issue would not impose material impact to the Group.

13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK

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

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. Foreign exchange risk arises from transactions denominated in foreign exchange (mainly USD and HKD). Transactions denominated in foreign exchange are not significant. Therefore, the directors of the Group are of the view that the Group's exposure to significant foreign exchange risks would be immaterial.

As at 30 June 2017 and 31 December 2016, the carrying amounts in RMB equivalent of the Group's financial assets and financial liabilities denominated in foreign currencies are summarised below:

	30 June 2017 (Unaudited)			
	USD	HKD	Others	Total
Financial assets denominated in foreign currency -				
Cash at bank and on hand	134,331,540	942,475,611	1,017,541	1,077,824,692
Receivables	23,871,946	—	—	23,871,946
	<u>158,203,486</u>	<u>942,475,611</u>	<u>1,017,541</u>	<u>1,101,696,638</u>
Financial liabilities denominated in foreign currency -				
Payables	(12,155,395)	—	—	(12,155,395)
Long-term borrowings	—	—	(61,996,800)	(61,996,800)
	<u>(12,155,395)</u>	<u>—</u>	<u>(61,996,800)</u>	<u>(74,152,195)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

(1) Market risk (Continued)

(a) Foreign exchange risk (Continued)

	31 December 2016			
	USD	HKD	Others	Total
Financial assets denominated in foreign currency -				
Cash at bank and on hand	138,865,879	43,807,591	—	182,673,470
Receivables	22,022,610	—	12,592	22,035,202
	<u>160,888,489</u>	<u>43,807,591</u>	<u>12,592</u>	<u>204,708,672</u>
Financial liabilities denominated in foreign currency -				
Payables	(15,521,224)	—	(8,000)	(15,529,224)

As at 30 June 2017, if RMB had strengthened/weakened by 4% against the USD while all other variables had been held constant, the Group's net profit for the year would have been approximately RMB 4,381,000 (31 December 2016: approximately RMB 4,361,000) lower/higher for various financial assets and liabilities denominated in USD, which would have no effect on other comprehensive income.

As at 30 June 2017, if RMB had strengthened/weakened by 4% against the HKD while all other variables had been held constant, the Group's net profit for the year would have been approximately RMB 28,274,000 (31 December 2016: approximately RMB 1,314,000) lower/higher for various financial assets denominated in HKD, which would have no effect on other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

(1) Market risk (Continued)

(b) Interest rate risk

The Group's interest rate risk arises from cash at bank and on hand, loans provided to related parties and third parties, customer deposits at Qingdao Finance, bank borrowings, bonds payable and other interest bearing claims and debts. Except for certain cash at bank and on hand, certain customer deposits at Qingdao Finance, loans provided to related parties and third parties with fixed interest rate and bonds payable, the amounts aforesaid are all subject to floating interest rate. Financial assets and liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial assets and liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions.

As at 30 June 2017, the Group's interest bearing liabilities included customer deposits at Qingdao Finance of RMB 7,809,675,756 (Note 6(24)), among which RMB 7,573,910,769 was subject to floating interest rate and the remaining are subject to fixed interest rate; bonds payable of RMB 3,500,000,000 (Note 6(26)) was subject to fixed interest rate; and bank borrowings of RMB 543,956,599 (Note 6(18), (25)), among which RMB 151,720,687 was subject to floating rates and the remaining are subject to fixed interest rate.

As at 30 June 2017, the Group's interest bearing assets included cash at bank and on hand of RMB 12,450,044,630 (Note 6(1)), among which RMB 5,259,354,440 was subject to floating interest rate and the remaining are subject to fixed interest rate; and loans provided to related parties and third parties of RMB 4,494,390,404 (Note 6(4) (b), Note 6(9)), among which RMB 2,224,815,417 was subject to floating rates and the remaining are subject to fixed interest rate.

The Group's head office finance department continuously monitors the interest rate position of the Group. Increases in interest rates will increase the revenue of new interest bearing assets and the interest income with respect to the Group's outstanding floating rate interest bearing assets, and will increase the cost of new liability and the interest expenses with respect to the Group's outstanding floating rate liability, and therefore could have a certain effect on the Group's financial position. The Group makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. For the period ended 30 June 2017 and the period ended 30 June 2016, the Group did not enter into any interest rate swap agreements.

As at 30 June 2017, if bank interest rates on the floating rate borrowings and loans provided to related parties had risen/fallen by 50 basis points while all other variables had been held constant, the Group's net profit would have increased/decreased by approximately RMB 569,000 (31 December 2016: approximately RMB 7,905,000).

As at 30 June 2017, if interest rates on cash at bank and on hand and customer deposits at Qingdao Finance subject to the floating rate borrowings for the period ended 30 June 2017 had risen/fallen by 8% while all other variables had been held constant, the Group's net profit would have decreased/increased by approximately RMB 3,988,000 (31 December 2016: RMB 797,000).

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

(2) Credit risk

Credit risk is managed on the grouping basis. Credit risk mainly arises from cash at bank and on hand, accounts receivable, other receivables, notes receivable, long-term receivable, etc.

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size public-listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has policies to limit the credit exposure on accounts receivable, other receivables and long-term receivable except loans provided and notes receivable. The Group assesses the credit quality of and sets credit periods on its debtors by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the debtors is regularly monitored by the Group. In respect of debtors with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

For loans provided and accounted for in other receivables and long-term receivables, the Group measures the risks of corporate loans and advances mainly based on the “Probability of Default” of the customers to the agreed obligations and their financial position while taking consideration of the current credit exposure and future potential development trends. The Group strengthens the management in all stages of loans provision. Loans provided are continuously monitored and various factors that may affect the loan-related credit risk management processes are reviewed regularly; negative events that may have significant impact on the repayment capacity of the borrower are reported in a timely manner, with measures taken promptly, including adding guarantors or collaterals, so as to maximise the safety of assets and prevent and control risks; the repayment capacities with respect to the principal plus interest of the borrowers and potential borrowers are analysed on a regular basis; the credit limits are subject to adjustments when appropriate, and the credit risk exposure is managed as required.

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group’s head office finance department. The Group’s head office finance department monitors rolling forecasts of the Group’s short-term and long-term liquidity requirements to ensure it has sufficient cash to meet operational needs and to meet the short-term and long-term liquidity requirements.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

(3) Liquidity risk (Continued)

The financial liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	30 June 2017 (Unaudited)				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term borrowings	334,378,320	—	—	—	334,378,320
Notes payable	1,330,230,752	—	—	—	1,330,230,752
Accounts payable	1,415,252,456	—	—	—	1,415,252,456
Other payables	10,142,063,061	—	—	—	10,142,063,061
Dividends payable	787,551,013	—	—	—	787,551,013
Interests payable	66,441,646	—	—	—	66,441,646
Current portion of long-term liabilities	28,826,348	—	—	—	28,826,348
Long-term borrowings	7,205,865	33,008,791	155,042,673	17,287,747	212,545,076
Long-term payables	—	5,258,066	18,368,860	45,101,939	68,728,865
Bonds payable	105,300,000	105,300,000	3,710,600,000	—	3,921,200,000
	<u>14,217,249,461</u>	<u>143,566,857</u>	<u>3,884,011,533</u>	<u>62,389,686</u>	<u>18,307,217,537</u>

	31 December 2016				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term borrowings	263,931,939	—	—	—	263,931,939
Notes payable	817,619,173	—	—	—	817,619,173
Accounts payable	1,125,837,022	—	—	—	1,125,837,022
Other payables	9,932,590,088	—	—	—	9,932,590,088
Interests payable	99,129,006	—	—	—	99,129,006
Current portion of long-term liabilities	24,861,949	—	—	—	24,861,949
Long-term borrowings	6,732,144	31,117,557	96,574,695	27,840,916	162,265,312
Long-term payables	—	3,380,935	9,982,109	44,738,865	58,101,909
Bonds payable	105,300,000	105,300,000	3,815,900,000	—	4,026,500,000
	<u>12,376,001,321</u>	<u>139,798,492</u>	<u>3,922,456,804</u>	<u>72,579,781</u>	<u>16,510,836,398</u>

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(All amounts in RMB Yuan unless otherwise stated)

13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

(3) Liquidity risk (Continued)

Bank borrowings and bonds payable are analysed by repayment terms as follows:

	30 June 2017 (Unaudited)		31 December 2016	
	Bank borrowings	Bonds payable	Bank borrowings	Bonds payable
Within 1 year	359,537,112	—	286,277,290	—
1 to 2 years	25,850,000	—	24,850,000	—
2 to 5 years	141,748,800	3,500,000,000	85,720,000	3,500,000,000
Over 5 years	16,820,687	—	26,820,687	—
	<u>543,956,599</u>	<u>3,500,000,000</u>	<u>423,667,977</u>	<u>3,500,000,000</u>

14 FAIR VALUE ESTIMATES

The level of fair value measurement is determined by the lowest level of inputs which has significant impact on fair value management:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

14 FAIR VALUE ESTIMATES (Continued)

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

As at 30 June 2017, financial assets at fair value through profit or loss with the amount of RMB 69,755,476 (31 December 2016: nil) (Note 6(2)) are recognised on the basis of inputs other than quoted prices included within Level 1 that are observable, which belongs to Level 2; available-for-sale financial assets with the amount of RMB 740,000,000 (31 December 2016: RMB 890,000,000) (Note 6(8)) are recognised on the basis of unobservable inputs, which belongs to Level 3.

Changes of the above Level 3 financial assets are analysed below:

	Available- for-sale financial assets
1 January 2017	890,000,000
Purchases (Unaudited)	1,235,016,713
Sales (Unaudited)	(1,385,016,713)
Total gains for the current period (Unaudited)	12,322,148
Gains recognised in profit (Unaudited)	(12,322,148)
	<hr/>
30 June 2017 (Unaudited)	<u>740,000,000</u>
	<hr/>
	Available- for-sale financial assets
1 January 2016	—
Purchases (Unaudited)	910,000,000
	<hr/>
30 June 2016	<u>910,000,000</u>
	<hr/>

Gains recognised in profit are included in the income statement under the items of investment income.

The unobservable input of above Level 3 financial asset is its expected return, which is used by the management to evaluate its fair value.

(2) Assets and liabilities not measured at fair value but for which the fair value is disclosed

Financial assets and liabilities measured at amortised cost mainly include receivables, short-term borrowings, payables, bonds payable, long-term borrowings, long-term payables, etc.

The carrying amount of the other financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

15 CAPITAL MANAGEMENT

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

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

The Group is not subject to external mandatory capital requirements and monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated by interest bearing liabilities deducting cash and cash equivalents. Total capital is calculated by shareholder's equity presented in consolidated balance sheet plus net debt.

As at 30 June 2017 and 31 December 2016, the Group's gearing ratio is as follows:

	30 June 2017 (Unaudited)	31 December 2016
Bank borrowings (Note 6(18), (25))	543,956,599	423,667,977
Customer deposits at Qingdao Finance (Note 6(24))	7,809,675,756	6,965,592,554
Bonds payable(Note 6(26))	3,500,000,000	3,500,000,000
Less: Cash(Note 6(45) (f))	<u>(8,567,122,413)</u>	<u>(2,747,487,988)</u>
Net debt	3,286,509,942	8,141,772,543
Shareholders' equity	<u>23,315,121,630</u>	<u>15,482,558,623</u>
Total capital	<u>26,601,631,572</u>	<u>23,624,331,166</u>
Gearing ratio	12%	34%

16 OTHER EVENTS

As detailed in Note 40 to the consolidated financial statements of the Group for the year ended 31 December 2014, CITIC Australia Commodity Trading Pty Ltd. ("CITIC") and Pacorini Metals (Shanghai) Logistics Co. Ltd. ("Pacorini Logistics") alleged that they were suffered from damages because Qingdao Port Group and the Company (collectively the "QDP Relevant Parties") refused to deliver the related cargoes they stored in QDP Relevant Parties. QDP Relevant Parties received the civil orders from Qingdao Maritime Court of the Peoples' Republic of China on 27 October 2016, ruling that the cases were either transferred to the Public Security Authority due to the suspected involvement in criminal activities or the proceedings were suspended due to the involvement in criminal activities.

Given there is no contractual relationship between the Company and CITIC/Pacorini Logistics, the Directors have the consistent view that the aforesaid litigations are without merit and the court judged to transfer it to the police for further processing or abate the proceedings. In addition, QDP has committed to provide compensation to the Company for any damages arising from the judgment which may be rendered against the Company by the Court. Based on these considerations, the Directors are of the view that the aforesaid litigations and the related judgment and order would not impose any adverse impact on the business and operation of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	30 June 2017 (Unaudited)	31 December 2016
Cash on hand	13,456	3,697
Cash at bank	5,936,018,340	2,225,151,861
Other cash balances	38,002,034	28,718,001
	<u>5,974,033,830</u>	<u>2,253,873,559</u>

As at 30 June 2017, other cash balances includes deposits of RMB 38,002,034 (31 December 2016: RMB 28,718,001) for the issuance of acceptance notes of the Company through banks and its subsidiary Qingdao Finance.

(2) Notes receivable

	30 June 2017 (Unaudited)	31 December 2016
Bank acceptance notes	114,941,382	246,559,265
Trade acceptance notes	348,733,232	138,221,256
Less: Provision for bad debts	(54,618,545)	—
	<u>409,056,069</u>	<u>384,780,521</u>

As at 30 June 2017, the Group has no pledged acceptance notes (31 December 2016: the bank acceptance notes of RMB 66,244,274 was pledged to bank as collateral for the Group to apply for issuance of acceptance note with same amount (Note 17(17))).

As at 30 June 2017, notes receivable include unmatured trade acceptance notes with recourse of RMB 290,222,213 (31 December 2016: RMB 103,760,938) that have been discounted. The Company recognises the received discounted amount as short-term borrowings (Note 17(16)).

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(3) Accounts receivable and other receivables

(a) Accounts receivable

	30 June 2017 (Unaudited)	31 December 2016
Accounts receivable	710,525,034	761,623,552
Less: Provision for bad debts	(21,213,336)	(75,953,527)
	<u>689,311,698</u>	<u>685,670,025</u>

The Company's sales are partially made by cash, advances from customers, bank acceptance notes and trade acceptance notes. The remains are settled by providing credit terms from 30 to 90 days.

The ageing based on their recording dates of accounts receivable and related provision for bad debts are analysed below:

	30 June 2017 (Unaudited)			31 December 2016		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	669,080,627	94.16%	(9,051,455)	717,192,977	94.16%	(63,670,000)
1 to 2 years	25,370,804	3.57%	(1,747,014)	27,693,592	3.64%	(2,261,027)
2 to 3 years	12,260,052	1.73%	(8,411,341)	16,414,483	2.16%	(9,764,500)
3 to 4 years	3,491,051	0.49%	(1,745,526)	—	—	—
4 to 5 years	322,500	0.05%	(258,000)	322,500	0.04%	(258,000)
	<u>710,525,034</u>	<u>100.00%</u>	<u>(21,213,336)</u>	<u>761,623,552</u>	<u>100.00%</u>	<u>(75,953,527)</u>

Accounts receivable are mainly recorded based on the date of transaction. The ageing of accounts receivable represented on their recording dates is basically the same as that represented based on the dates of invoice.

As at 30 June 2017, accounts receivable of RMB 122,555,571 (31 December 2016: RMB 219,865,893) are overdue, but based on the analysis of the customers' financial position and the credit record, the Company believes that the overdue amounts can be recovered and are not impaired, thus no provisions for bad debts are individually made. The overdue ageing of this part of receivable is analysed as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(3) Accounts receivable and other receivables (Continued)

(a) Accounts receivable (Continued)

	30 June 2017 (Unaudited)	31 December 2016
Within 1 year	89,816,835	184,140,989
1 to 2 years	24,480,684	26,497,921
2 to 3 years	4,444,501	8,904,483
3 to 4 years	3,491,051	—
4 to 5 years	322,500	322,500
	122,555,571	219,865,893

Accounts receivable are analysed by customers categories as follows:

	<u>30 June 2017 (Unaudited)</u>			<u>31 December 2016</u>		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Related parties	164,200,780	23.11%	—	116,872,515	15.35%	—
Third parties	546,324,254	76.89%	(21,213,336)	644,751,037	84.65%	(75,953,527)
	710,525,034	100.00%	(21,213,336)	761,623,552	100.00%	(75,953,527)

(b) Other receivables

	30 June 2017 (Unaudited)	31 December 2016
Assets transfer receivables (i)	250,547,351	302,120,465
Agent construction project expenditures receivables	215,461,491	196,841,038
Construction expenditures paid on behalf of subsidiaries	145,626,174	118,903,331
Port construction fees receivable	72,022,238	62,592,722
Deposits and guarantees	32,339,788	31,958,501
Loans provided to related parties (ii)	20,000,000	60,000,000
Receivables of agent procurement	16,467,036	7,529,472
Others	33,614,419	10,010,324
	786,078,497	789,955,853
Less: Provision for bad debts	(10,546,737)	(10,369,147)
	775,531,760	779,586,706

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(3) Accounts receivable and other receivables (Continued)

(b) Other receivables (Continued)

- (i) Assets transfer receivables are loading equipment transfer receivables from QDOT and construction in progress transfer receivables from DMT.
- (ii) As at 30 June 2017, loan of RMB 20,000,000 is provided by the Company to its related party - Qingdao Leasing with maturity of half a year and fixed interest rate of 4.13%.

As at 31 December 2016, loan of RMB 60,000,000 was provided by the Company to its related party - Huaneng Qingdao, with maturity within one year and interest calculated based on bank loan benchmark interest rate downwards by 3% with the corresponding period.

Other receivables and related provision for bad debts are analysed below:

	30 June 2017 (Unaudited)			31 December 2016		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	614,311,180	78.15%	—	776,093,636	98.25%	—
1 to 2 years	160,489,174	20.42%	(76,002)	1,281,543	0.16%	(21,407)
2 to 3 years	10,838,541	1.38%	(10,464,897)	12,227,167	1.55%	(10,347,740)
3 to 4 years	385,089	0.05%	(5,838)	330,507	0.04%	—
4 to 5 years	31,513	0.00%	—	3,000	0.00%	—
Over 5 years	23,000	0.00%	—	20,000	0.00%	—
	786,078,497	100.00%	(10,546,737)	789,955,853	100.00%	(10,369,147)

As at 30 June 2017, other receivables with ageing over one year are RMB 171,767,317 (31 December 2016: RMB 13,862,217). However, based on analysis on customer financial condition and past credit record, the Company makes provision for bad debts at RMB 10,546,737 (31 December 2016: RMB 10,369,147). The remaining receivable is considered recoverable and not impaired, thus no provisions for bad debts are made.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(4) Advances to suppliers

	30 June 2017 (Unaudited)		31 December 2016	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	10,529,524	84.97%	2,928,930	45.95%
1 to 2 years	1,862,711	15.03%	1,668,000	26.16%
2 to 3 years	—	—	—	—
3 to 4 years	—	—	1,778,327	27.89%
	12,392,235	100.00%	6,375,257	100.00%

(5) Inventories

(a) Inventories are summarised by categories as follows:

	30 June 2017 (Unaudited)			31 December 2016		
	Ending balance	Provision	Carrying amount	Ending balance	Provision	Carrying amount
Amount due from customers for construction contract (i)	350,512,160	—	350,512,160	316,091,965	—	316,091,965
Materials and finished goods	33,126,719	—	33,126,719	45,409,411	—	45,409,411
Spare parts	2,178,349	—	2,178,349	3,975,216	—	3,975,216
Fuel	4,586,324	—	4,586,324	4,051,352	—	4,051,352
Others	1,053,007	—	1,053,007	1,111,342	—	1,111,342
	391,456,559	—	391,456,559	370,639,286	—	370,639,286

(i) Amount due from customers for construction contract

	30 June 2017 (Unaudited)	31 December 2016
Accumulated cost recognised	605,111,420	764,953,443
Add: Accumulated gross profits recognised	27,225,966	26,682,085
Less: Accumulated amounts settled	(281,825,226)	(475,543,563)
	350,512,160	316,091,965

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(5) Inventories (Continued)

(b) Changes in ending balances of inventories for current period are analysed as follows:

	31 December 2016	Increase in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2017 (Unaudited)
Amount due from customers for construction contract	316,091,965	188,945,130	(154,524,935)	350,512,160
Materials and finished goods	45,409,411	211,647,278	(223,929,970)	33,126,719
Spare parts	3,975,216	8,364,922	(10,161,789)	2,178,349
Fuel	4,051,352	137,458,423	(136,923,451)	4,586,324
Others	1,111,342	11,021,401	(11,079,736)	1,053,007
	<u>370,639,286</u>	<u>557,437,154</u>	<u>(536,619,881)</u>	<u>391,456,559</u>

(6) Other current assets

	30 June 2017 (Unaudited)	31 December 2016
VAT input to be deducted	44,629,918	48,134,431
VAT input to be verified	—	3,380,829
VAT prepaid	—	2,817
	<u>44,629,918</u>	<u>51,518,077</u>

(7) Long-term receivables

	30 June 2017 (Unaudited)	31 December 2016
Loans provided to subsidiaries	1,765,000,000	1,360,000,000
Loans provided to other related parties	1,635,000,000	1,635,000,000
	<u>3,400,000,000</u>	<u>2,995,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(7) Long-term receivables (Continued)

As at 30 June 2017, long-term entrusted loans of RMB 1,765,000,000 (31 December 2016: RMB 1,360,000,000) are provided by the Company to its subsidiaries - Mercuria Oil Terminal, Lianhua Pipeline and Mercuria Logistics respectively, among which RMB 340,000,000 and RMB 865,000,000 of loans to Mercuria Oil Terminal and Lianhua Pipeline are issued with fixed interest rates of 4.75%, while interest of the remaining loans are calculated based on the corresponding bank loan benchmark interest rate.

As at 30 June 2017, long-term entrusted loans of RMB 1,635,000,000 (31 December 2016: RMB 1,635,000,000) are provided by the Company to other related parties - QQCTU, QQCTN and QDOT respectively, among which RMB 675,000,000 and RMB 520,000,000 of loans to QQCTU and QDOT are issued with fixed interest rates of 4.28% and RMB 350,000,000 of loans to QQCTN is issued with fixed interest rates of 4.75%, while interest of the remaining loans are calculated based on the corresponding bank loan benchmark interest rate.

(8) Long-term equity investments

	30 June 2017 (Unaudited)	31 December 2016
Subsidiaries (a)	3,725,574,483	3,363,062,011
Joint ventures (b)	8,655,323,595	5,749,803,217
Associates (c)	98,022,427	97,896,134
	<u>12,478,920,505</u>	<u>9,210,761,362</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(8) Long-term equity investments (Continued)

(a) Subsidiaries

	31 December 2016	Increase in investment (Unaudited)	Decrease in investment (Unaudited)	30 June 2017 (Unaudited)	Profit declared in the current period (Unaudited)
Yongli Insurance	7,866,558	—	—	7,866,558	—
QDP Logistics	244,793,957	—	—	244,793,957	400,000,000
Hongyu Cargo Agency	12,811,516	—	—	12,811,516	—
GLS Shipping	2,580,830	—	—	2,580,830	—
Ocean Shipping Repair	3,666,959	—	—	3,666,959	773,578
Qingdao Port Engineering	114,455,552	—	—	114,455,552	—
Ocean Shipping Tally	389,296,880	—	—	389,296,880	117,607,144
Gangjia Logistics	7,299,874	—	—	7,299,874	—
Gangrong Storage	7,952,229	—	—	7,952,229	—
Qingdao Port Travel Agency	3,052,737	—	—	3,052,737	—
Duty-free Merchandise	2,931,373	—	—	2,931,373	—
Datang Port	179,109,502	—	—	179,109,502	—
Qingdao Finance	700,000,000	—	—	700,000,000	—
Mercuria Logistics	273,278,376	—	—	273,278,376	—
Mercuria Oil Terminal	182,079,200	—	—	182,079,200	—
Eimskip Coldchain	14,000,000	—	—	14,000,000	—
Qingdao Port Properties	5,000,000	—	—	5,000,000	6,000,000
Culture Media	3,000,000	—	—	3,000,000	1,475,156
Qingdao Leasing	183,748,000	63,629,000	—	247,377,000	—
International Development	31,179,600	—	—	31,179,600	—
Tongbao Shipping	20,000,000	—	—	20,000,000	1,243,987
Tongan Security	1,000,000	—	—	1,000,000	—
DMT	480,000,000	—	—	480,000,000	—
Lianhua Pipeline	153,000,000	—	—	153,000,000	—
Assets Management Company	170,000,000	3,000,000	—	173,000,000	—
Technology Company	20,000,000	—	—	20,000,000	—
Svitzer Towage	115,500,000	—	—	115,500,000	—
Tongze Trading	10,000,000	—	—	10,000,000	4,623,027
Bonded Logistics Centre	25,458,868	—	—	25,458,868	—
Fund Management	—	3,000,000	(3,000,000)	—	—
Vopak Logistics	—	295,883,472	—	295,883,472	—
	<u>3,363,062,011</u>	<u>365,512,472</u>	<u>(3,000,000)</u>	<u>3,725,574,483</u>	<u>531,722,892</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(8) Long-term equity investments (Continued)

(b) Joint ventures

	31 December 2016	Movements for the current period (Unaudited)				30 June 2017 (Unaudited)
		Increase or decrease in investment	Share of net profit/(loss) under equity method	Cash dividends/ profit declared	Share of other changes in equity	
QQCT	2,170,600,622	3,198,650,840	288,709,535	(617,988,772)	3,107,332	5,043,079,557
Qingdao Shihua	1,559,310,678	—	137,051,572	—	1,554,688	1,697,916,938
West United	441,724,704	—	12,194,140	—	282,768	454,201,612
Qingwei Container	146,590,738	—	10,376,288	—	185,958	157,152,984
Vopak Logistics	143,877,987	(143,855,951)	(22,036)	—	—	—
Evergreen Container	67,223,496	—	10,299,752	(18,688,022)	187,563	59,022,789
Orient Container	45,429,585	—	4,021,182	(7,463,017)	—	41,987,750
Haiwan Liquid Chemical	145,008,179	—	(797,804)	—	7,363	144,217,738
Ganghai Logistics	72,977,406	—	(354,929)	—	—	72,622,477
Shenzhouxing						
Transportation	37,398,558	—	6,431,074	—	—	43,829,632
China Shipping Agency	13,054,589	—	751,888	—	—	13,806,477
United Shipping Agency	66,391,582	—	5,945,356	(11,851,212)	—	60,485,726
Huaneng Qingdao	172,974,921	—	(8,933,808)	—	—	164,041,113
Dongjiakou IMC Logistics	151,547,631	—	19,518,515	—	—	171,066,146
QDOT	462,022,888	—	13,639,818	—	—	475,662,706
Henan Yuqing	2,489,520	—	(59,455)	—	—	2,430,065
Dongjiakou Sinotrans						
Logistics	48,830,228	—	(160,559)	—	—	48,669,669
Binzhou Port QDP						
International Terminal	2,349,905	—	2,696,875	—	83,436	5,130,216
	<u>5,749,803,217</u>	<u>3,054,794,889</u>	<u>501,307,404</u>	<u>(655,991,023)</u>	<u>5,409,108</u>	<u>8,655,323,595</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(8) Long-term equity investments (Continued)

(c) Associates

	Accounting Method	31 December 2016	Movements for the current period (Unaudited)		30 June 2017 (Unaudited)
			Share of net profit/(loss) under equity method	Profit/Cash dividends declared by associates	
Ganghua Logistics	Equity method	7,896,134	707,660	(1,125,301)	7,478,493
Qingyin Financial Leasing	Equity method	90,000,000	543,934	—	90,543,934
		<u>97,896,134</u>	<u>1,251,594</u>	<u>(1,125,301)</u>	<u>98,022,427</u>

As stated in Note 2(2), at preparation of the Company's financial statements, long-term equity investments of Qingdao Port Group that were contributed into the Company are recognised into the Company's balance sheet based on the appraisal values approved by the competent state-owned assets management authorities.

(9) Investment properties

	Buildings	Land use rights	Total
Cost			
31 December 2016	<u>259,610,110</u>	<u>370,659,697</u>	<u>630,269,807</u>
30 June 2017 (Unaudited)	<u>259,610,110</u>	<u>370,659,697</u>	<u>630,269,807</u>
Accumulated depreciation			
31 December 2016	(31,177,153)	(25,623,790)	(56,800,943)
Increase in the current period (Unaudited)	<u>(5,183,645)</u>	<u>(4,993,948)</u>	<u>(10,177,593)</u>
30 June 2017 (Unaudited)	<u>(36,360,798)</u>	<u>(30,617,738)</u>	<u>(66,978,536)</u>
Net book value			
30 June 2017 (Unaudited)	<u>223,249,312</u>	<u>340,041,959</u>	<u>563,291,271</u>
31 December 2016	<u>228,432,957</u>	<u>345,035,907</u>	<u>573,468,864</u>

As at 30 June 2017, the management of the Company are of the view that there is no indication that the investment properties may be impaired, therefore no provision for impairment is recorded (31 December 2016: nil).

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(10) Fixed assets

	Buildings	Terminal facilities	Storage facilities	Loading equipment	Machinery and equipment	Vessels	Motor vehicles	Communication facilities	Office equipment and others	Total
Cost										
31 December 2016	241,848,016	5,997,344,645	1,985,997,801	938,646,416	197,934,506	751,962,845	48,971,177	74,289,640	17,687,654	10,254,682,700
Transfers from construction in progress (Unaudited)	—	—	567,853	—	—	—	—	—	—	567,853
Purchase in current period (Unaudited)	28,305,113	45,000	98,339	286,047	2,414,585	23,504,274	700,126	5,378,455	1,787,431	62,519,370
Decrease in the current period (Unaudited)	—	—	—	(2,639,057)	(759,374)	—	(416,563)	(125,365)	(30,842)	(3,971,201)
30 June 2017 (Unaudited)	<u>270,153,129</u>	<u>5,997,389,645</u>	<u>1,986,663,993</u>	<u>936,293,406</u>	<u>199,589,717</u>	<u>775,467,119</u>	<u>49,254,740</u>	<u>79,542,730</u>	<u>19,444,243</u>	<u>10,313,798,722</u>
Accumulated depreciation										
31 December 2016	(32,801,130)	(468,145,039)	(167,331,117)	(516,192,008)	(78,973,929)	(171,961,995)	(24,798,417)	(26,054,614)	(10,742,956)	(1,497,001,205)
Increase in the current period (Unaudited)	(5,807,205)	(84,668,576)	(30,585,012)	(52,186,884)	(11,110,091)	(23,479,647)	(3,135,493)	(5,769,981)	(1,782,206)	(218,525,095)
Decrease in the current period (Unaudited)	—	—	—	1,733,565	729,000	—	399,900	120,350	29,255	3,012,070
30 June 2017 (Unaudited)	<u>(38,608,335)</u>	<u>(552,813,615)</u>	<u>(197,916,129)</u>	<u>(566,645,327)</u>	<u>(89,355,020)</u>	<u>(195,441,642)</u>	<u>(27,534,010)</u>	<u>(31,704,245)</u>	<u>(12,495,907)</u>	<u>(1,712,514,230)</u>
Net book value										
30 June 2017 (Unaudited)	<u>231,544,794</u>	<u>5,444,576,030</u>	<u>1,788,747,864</u>	<u>369,648,079</u>	<u>110,234,697</u>	<u>580,025,477</u>	<u>21,720,730</u>	<u>47,838,485</u>	<u>6,948,336</u>	<u>8,601,284,492</u>
31 December 2016	<u>209,046,886</u>	<u>5,529,199,606</u>	<u>1,818,666,684</u>	<u>422,454,408</u>	<u>118,960,577</u>	<u>580,000,850</u>	<u>24,172,760</u>	<u>48,235,026</u>	<u>6,944,698</u>	<u>8,757,681,495</u>

For the sixth months ended 30 June 2017, the amounts of depreciation expenses charged to cost of sales and general and administrative expenses were RMB 208,580,506 and RMB 9,944,589 respectively (for the sixth months ended 30 June 2016: RMB 217,858,971 and RMB 8,089,186).

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(11) Construction in progress

Project name	31 December 2016	Increase in the current period (Unaudited)	Transfer to fixed assets in the current period (Unaudited)	30 June 2017 (Unaudited)
Dongjiakou stevedoring, storage and transportation projects for liquid bulk cargo	397,124,739	102,992	—	397,227,731
Dongjiakou berth project for and general cargo	483,763,982	37,441,949	—	521,205,931
Dongjiakou stockyard project	116,538,736	116,864,753	(567,853)	232,835,636
Other Dongjiakou projects	26,848,313	—	—	26,848,313
Other projects	14,243,454	11,070,100	—	25,313,554
	<u>1,038,519,224</u>	<u>165,479,794</u>	<u>(567,853)</u>	<u>1,203,431,165</u>

The Company has no capitalised borrowing expense.

(12) Intangible assets

	Land use rights	Software	Sea area use rights	Others	Total
Cost					
31 December 2016	2,446,949,670	22,978,975	1,362,580	32,269,286	2,503,560,511
Increase in the current period (Unaudited)					
Acquisition	2,350,026	5,873,463	—	—	8,223,489
30 June 2017 (Unaudited)	2,449,299,696	28,852,438	1,362,580	32,269,286	2,511,784,000
Accumulated amortisation					
31 December 2016	(169,493,875)	(9,132,810)	(81,758)	(11,241,334)	(189,949,777)
Increase in the current period (Unaudited)					
Provision	(26,811,905)	(2,248,940)	(13,628)	(1,609,723)	(30,684,196)
30 June 2017 (Unaudited)	(196,305,780)	(11,381,750)	(95,386)	(12,851,057)	(220,633,973)
Book value					
30 June 2017 (Unaudited)	2,252,993,916	17,470,688	1,267,194	19,418,229	2,291,150,027
31 December 2016	2,277,455,795	13,846,165	1,280,822	21,027,952	2,313,610,734

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(13) Other non-current assets

	30 June 2017 (Unaudited)	31 December 2016
Taxes prepaid for port facilities rental income (Note 6(15) (i))	192,568,274	198,276,587
Less: Current portion	(11,613,049)	(11,613,049)
Construction and equipment expenditures prepaid	77,348,643	29,780,567
	<u>258,303,868</u>	<u>216,444,105</u>

(14) Provision for asset impairment

	31 December 2016	Increase in the current period (Unaudited)	Decrease in the current period (Unaudited)		30 June 2017 (Unaudited)
			Reversal	Write-off	
Provision for bad debts	86,322,674	54,796,135	(54,740,191)	—	86,378,618
Including: Provision for					
bad debts of					
accounts receivable	75,953,527	—	(54,740,191)	—	21,213,336
Bad debts of					
notes receivable	—	54,618,545	—	—	54,618,545
Provision for					
bad debts of					
other receivables	10,369,147	177,590	—	—	10,546,737
	<u>86,322,674</u>	<u>54,796,135</u>	<u>(54,740,191)</u>	<u>—</u>	<u>86,378,618</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(15) Deferred tax assets

	30 June 2017 (Unaudited)		31 December 2016	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Early retirement benefits	100,770,000	25,192,500	117,240,000	29,310,000
Provision for asset impairment	86,378,618	21,594,655	86,322,674	21,580,669
Evaluation appreciation	39,201,420	9,800,355	39,203,088	9,800,772
Elimination of intra-group unrealised profit	11,004,020	2,751,005	11,309,320	2,827,330
Accrued expenses	2,808,441	702,110	2,283,097	570,774
	240,162,499	60,040,625	256,358,179	64,089,545
Including:				
Expected to be recovered within one year (inclusive)		6,547,944		6,416,751
Expected to be recovered after one year		53,492,681		57,672,794
		60,040,625		64,089,545

As at 30 June 2017, the Company has no deferred tax liabilities (31 December 2016: nil).

(16) Short-term borrowings

	Currency	30 December 2017 (Unaudited)	31 December 2016
Secured (a)	RMB	290,222,213	103,760,938
Unsecured	RMB	235,000,000	305,000,000
		525,222,213	408,760,938

(a) As at 30 June 2017, bank borrowings of RMB 290,222,213 (31 December 2016: RMB 103,760,938) are short-term borrowings obtained by discounting trade acceptance notes (Note 17(2)).

(b) As at 30 June 2017, the interest rate of short-term borrowings ranges from 4.35% to 6.3% (31 December 2016: from 3.92% to 4.35%).

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(17) Notes payable

	30 June 2017 (Unaudited)	31 December 2016
Bank acceptance notes	213,233,160	241,109,720
Trade acceptance notes	63,159,294	29,136,503
	276,392,454	270,246,223

As at 30 June 2017, the Group has no pledged acceptance notes (31 December 2016: RMB 66,244,274 were issued with bank acceptance notes receivable of the same amount as collateral) (Note 17(2)).

(18) Employee benefits payable

	30 June 2017 (Unaudited)	31 December 2016
Short-term employee benefits payable (a)	45,388,105	51,855,282
Defined contribution plans payable (b)	1,804,447	19,273,870
Termination benefits payable (c)	23,380,000	23,380,000
Defined benefit plans payable (d)	102,540,000	102,540,000
	173,112,552	197,049,152

(a) Short-term employee benefits

	31 December 2016	Increase in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2017 (Unaudited)
Wages and salaries, bonus, allowances and subsidies	40,223,111	306,471,472	(318,876,531)	27,818,052
Employee welfare	—	29,084,059	(20,903,545)	8,180,514
Social security contributions	—	30,279,014	(30,279,014)	—
Including: Medical insurance	—	25,145,764	(25,145,764)	—
Work injury insurance	—	2,401,806	(2,401,806)	—
Maternity insurance	—	2,731,444	(2,731,444)	—
Housing funds	—	32,447,821	(32,447,821)	—
Labour union funds and employee education funds	4,903,376	6,060,951	(6,866,222)	4,098,105
Outsourcing costs	6,728,795	129,812,293	(131,249,654)	5,291,434
Others	—	3,044,295	(3,044,295)	—
	51,855,282	537,199,905	(543,667,082)	45,388,105

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(18) Employee benefits payable (Continued)

(b) Defined contribution plans

	31 December 2016	Increase in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2017 (Unaudited)
Basic pensions	—	50,250,660	(50,250,660)	—
Unemployment insurance	—	1,956,298	(1,956,298)	—
Enterprise annuity	19,273,870	14,102,314	(31,571,737)	1,804,447
	<u>19,273,870</u>	<u>66,309,272</u>	<u>(83,778,695)</u>	<u>1,804,447</u>

(c) Termination benefits payable

	30 June 2017 (Unaudited)	31 December 2016
Early retirement benefits payable (Payable within one year)	<u>23,380,000</u>	<u>23,380,000</u>

Early retirement benefits borne by the Company are recognised as long-term employee benefits payable (Note 17(21)), the current portion of which is presented as employee benefits payable.

(d) Defined benefit plans payable

	30 June 2017 (Unaudited)	31 December 2016
Supplemental retirement benefits (Payable within one year)	<u>102,540,000</u>	<u>102,540,000</u>

Supplemental retirement benefits borne by the Company are recognised as long-term employee benefits payable (Note 17(21)), the current portion of which is presented as employee benefits payable.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(19) Taxes payable

	30 June 2017 (Unaudited)	31 December 2016
Land use tax payable	10,425,061	12,080,414
Enterprise income tax payable	10,139,536	5,031,924
Unpaid VAT	5,863,246	3,818,815
Individual income tax payable	1,799,397	2,101,816
Stamp duty payable	412,475	2,108,064
Property taxes payable	—	2,063,517
Others	1,296,733	856,915
	29,936,448	28,061,465

(20) Other payables

	30 June 2017 (Unaudited)	31 December 2016
Construction and equipment expenditure	1,054,851,455	1,124,632,688
Equity transfer payables	151,206,714	—
Port construction fees payable	60,716,125	48,366,481
Guarantees and deposits payable	44,324,479	27,295,779
Payables to Qingdao Port Group	26,055,977	479,350,964
Others	42,980,361	43,053,275
	1,380,135,111	1,722,699,187

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(21) Long-term employee benefits payable

	30 June 2017 (Unaudited)	31 December 2016
Early retirement benefits payable (a)	77,390,000	93,860,000
Supplemental retirement benefits (b)	2,260,860,000	2,430,760,000
	<u>2,338,250,000</u>	<u>2,524,620,000</u>

(a) Early retirement benefits of the Company

	30 June 2017 (Unaudited)	31 December 2016
Early retirement benefits	100,770,000	117,240,000
Less: Payable within one year	(23,380,000)	(23,380,000)
	<u>77,390,000</u>	<u>93,860,000</u>

The current portion of early retirement benefits is included in employee benefits payable.

(b) Supplemental retirement benefits of the Company:

	30 June 2017 (Unaudited)	31 December 2016
Supplemental retirement benefits	2,363,400,000	2,533,300,000
Less: Payable within one year	(102,540,000)	(102,540,000)
	<u>2,260,860,000</u>	<u>2,430,760,000</u>

The current portion of supplemental retirement benefits is included in employee benefits payable.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

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

- (c) Movements for the Group's early retirement benefits and supplemental retirement benefits are analysed as follows:

	Early retirement benefits	Supplemental retirement benefits
1 January 2017	117,240,000	2,533,300,000
Amount recognised in profit or loss for the current period (Unaudited)		
– Service cost	—	1,440,000
– Net interest expense on the net obligations	1,580,000	43,410,000
Re-measurement amount (Unaudited)		
– Actuarial gains for the current period	(2,770,000)	(169,560,000)
Payment of benefits (Unaudited)	(15,280,000)	(45,190,000)
30 June 2017 (Unaudited)	<u>100,770,000</u>	<u>2,363,400,000</u>
	Early retirement benefits	Supplemental retirement benefits
1 January 2016	127,210,000	2,646,170,000
Amount recognised in profit or loss for the current period (Unaudited)		
– Service cost	41,670,000	—
– Net interest expense on the net obligations	1,840,000	42,620,000
Re-measurement amount (Unaudited)		
– Actuarial losses/(gains) for the current period	110,000	(92,270,000)
Payment of benefits (Unaudited)	(10,550,000)	(47,340,000)
30 June 2016 (Unaudited)	<u>160,280,000</u>	<u>2,549,180,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

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

- (d) Early retirement benefits and supplemental retirement benefits recognised in profit or loss for the current period are as follows:

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
General and administrative expenses	(1,330,000)	41,780,000
Financial expenses	44,990,000	44,460,000

(22) Capital surplus

	31 December 2016	Increase in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2017 (Unaudited)
Share premium (Note 6(31))				
Capital premium contributed by Qingdao Port Group	7,052,279,474	—	—	7,052,279,474
Capital premium contributed by Other Promoters	783,586,608	—	—	783,586,608
Newly issued	1,547,306,924	5,465,252,688	—	7,012,559,612
Shares issue expenses	(113,422,026)	(13,009,480)	—	(126,431,506)
Business combination involving enterprises under common control	(31,531,719)	—	—	(31,531,719)
Other capital surplus - Share of changes in equity other than comprehensive income and profit distribution of investees accounted for using the equity method	12,213,780	5,409,108	—	17,622,888
	<u>9,250,433,041</u>	<u>5,457,652,316</u>	<u>—</u>	<u>14,708,085,357</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(22) Capital surplus (Continued)

	31 December 2015	Increase in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2016 (Unaudited)
Share premium (Note 6(31))				
Capital premium contributed by Qingdao Port Group	7,052,279,474	—	—	7,052,279,474
Capital premium contributed by Other Promoters	783,586,608	—	—	783,586,608
Newly issued	1,547,306,924	—	—	1,547,306,924
Shares issue expenses	(113,422,026)	—	—	(113,422,026)
Business combination involving enterprises under common control	(31,531,719)	—	—	(31,531,719)
Other capital surplus - Share of changes in equity other than comprehensive income and profit distribution of investees accounted for using the equity method	2,744,874	7,702,799	—	10,447,673
	<u>9,240,964,135</u>	<u>7,702,799</u>	<u>—</u>	<u>9,248,666,934</u>

(23) Undistributed profits

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Undistributed profits at beginning of period	2,257,979,547	1,636,833,839
Add: Net profit for the current period	1,418,585,859	863,777,551
Less: Dividend distribution to shareholders (Note 6(35))	(787,551,013)	(664,552,612)
Undistributed profits at the end of the period	<u>2,889,014,393</u>	<u>1,836,058,778</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(24) Revenue and cost of sales

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Revenue from main operations	2,289,009,372	2,108,841,731
Revenue from other operations	399,690,344	399,417,041
	<u>2,688,699,716</u>	<u>2,508,258,772</u>
	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Cost of sales from main operations	(1,684,283,308)	(1,490,501,196)
Cost of sales from other operations	(243,781,899)	(245,332,557)
	<u>(1,928,065,207)</u>	<u>(1,735,833,753)</u>

(a) Revenue and cost of sales from main operations

	Six months ended 30 June 2017 (Unaudited)		Six months ended 30 June 2016 (Unaudited)	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
Container handling and supporting services	112,040,436	(35,528,578)	95,461,170	(36,203,042)
Metal ore, coal and other cargo handling and supporting services	1,568,257,935	(1,269,837,945)	1,374,693,197	(1,025,606,769)
Liquid bulk cargo handling and supporting services	90,342,344	(18,116,473)	55,815,887	(8,466,237)
Logistics and port value-added services	310,651,353	(187,079,738)	360,157,939	(214,247,604)
Port supporting services - construction, labour and sales of port machinery	207,717,304	(173,720,574)	222,713,538	(205,977,544)
	<u>2,289,009,372</u>	<u>(1,684,283,308)</u>	<u>2,108,841,731</u>	<u>(1,490,501,196)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(24) Revenue and cost of sales (Continued)

(b) Revenue and cost of sales from other operations

	Six months ended 30 June 2017 (Unaudited)		Six months ended 30 June 2016 (Unaudited)	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Port supporting service - sales of fuel, electricity and others	399,690,344	(243,781,899)	399,417,041	(245,332,557)

(25) Taxes and surcharges

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Land use tax	22,127,617	—
Business tax	5,912,585	10,664,909
Stamp duty	5,786,865	—
City maintenance and construction tax	4,384,778	5,726,119
Educational surcharge	3,122,365	4,089,955
Others	2,171,053	1,008,673
	43,505,263	21,489,656

(26) Financial expenses - net

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Interest costs	66,390,112	39,202,033
Interest expenses	66,390,112	39,202,033
Less: Interest income	(84,992,924)	(53,485,825)
Effect of actuarial calculation of employee benefits	44,990,000	44,460,000
Exchange gains or losses	15,644,444	79,367
Others	219,015	373,269
	42,250,647	30,628,844

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(27) Expenses by nature

The cost of sales, selling and distribution expenses, general and administrative expenses in the income statement are categorised by nature as follows:

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Employee benefits	588,378,736	640,771,783
Subcontract cost	502,068,834	322,632,520
Depreciation of fixed assets	218,525,095	225,948,157
Transportation cost	170,571,108	101,138,221
Cost of sales for fuel and electricity	148,097,678	156,151,228
Consumption of raw materials in construction contract	103,814,585	127,091,084
Fuel and utility fees	87,105,104	98,777,912
Consumption of other raw materials	81,386,535	79,800,424
Rental expenses	46,963,815	46,016,368
Repair charges	37,450,016	32,996,417
Amortisation of intangible assets	30,684,196	34,319,684
Depreciation of investment properties	10,177,593	6,188,810
Auditor's fee	3,000,364	2,363,377
– Audit services	2,958,229	2,279,131
– Non-audit services	42,135	84,246
Amortisation of long-term prepaid expenses	2,717,091	2,329,096
Taxes and levies	—	28,458,445
Others	48,508,300	51,932,251
	2,079,449,050	1,956,915,777

(28) Asset impairment losses

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Provision of bad debts loss	55,944	9,311,331

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(29) Investment income

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Investment income from long-term equity investment under cost method	531,722,892	111,297,629
Investment income from long-term equity investments under equity method	502,558,998	389,128,509
Investment income earned during the holding period of available-for-sale financial assets	29,250	29,250
Investment income from disposal of financial assets at fair value through profit or loss	—	146,731
	<u>1,034,311,140</u>	<u>500,602,119</u>

(30) Non-operating income and expenses

(a) Non-operating income

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Gains on disposal of non-current assets	556,210	91,233
Including: Gains on disposal of fixed assets	556,210	91,233
Commission from port construction fees	7,175,068	6,783,495
Government grants	5,770,293	5,591,602
Others	1,681,584	1,573,300
	<u>15,183,155</u>	<u>14,039,630</u>

(b) Non-operating expenses

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Losses on disposal of non-current assets	30,377	81,310
Including: Losses on disposal of fixed assets	30,377	81,310
Others	402,123	5,443
	<u>432,500</u>	<u>86,753</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(31) Income tax expenses

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Current income tax calculated based on tax law and related regulations	149,865,828	156,929,179
Deferred income tax	4,048,920	(16,238,570)
	<u>153,914,748</u>	<u>140,690,609</u>

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the Company's financial statements to the income tax expenses is listed below:

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Total profit	1,572,500,607	1,004,468,160
Income tax expenses calculated at applicable tax rates	393,125,152	251,117,040
Investment income not subject to tax	(258,570,473)	(125,106,534)
Additional deduction of employee benefits of the disabled	(793,801)	(1,061,827)
Costs, expenses and losses not deductible for tax purposes	20,153,870	15,741,930
Income tax expenses	<u>153,914,748</u>	<u>140,690,609</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(32) Other comprehensive income

(a) Reconciliation of other comprehensive income

	Changes in the remeasurement of net liability related to the defined benefit plan
31 December 2015	(291,780,000)
Movements in the current period (Unaudited)	<u>92,270,000</u>
30 June 2016 (Unaudited)	<u>(199,510,000)</u>
31 December 2016	(65,200,000)
Movements in the current period (Unaudited)	<u>169,560,000</u>
30 June 2017 (Unaudited)	<u>104,360,000</u>

(b) Other comprehensive income, the related income tax effect and the reclassifications to profit or loss

	<u>Six months ended 30 June 2017 (Unaudited)</u>		
	Amount before tax	Income tax	Net after tax
Other comprehensive income items which will not be reclassified subsequently to profit or loss Remeasurement of net liability related to the defined benefit plan	<u>169,560,000</u>	—	<u>169,560,000</u>
	<u>Six months ended 30 June 2016 (Unaudited)</u>		
	Amount before tax	Income tax	Net after tax
Other comprehensive income items which will not be reclassified subsequently to profit or loss Remeasurement of net liability related to the defined benefit plan	<u>92,270,000</u>	—	<u>92,270,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(33) Notes to the Company's cash flow statement

(a) Supplementary information to the cash flow statement

Reconciliation from net profit to cash flows from operating activities

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Net profit	1,418,585,859	863,777,551
Add: Provision for asset impairment loss	55,944	9,311,331
Depreciation of fixed assets and investment properties	228,702,688	232,136,967
Amortisation of intangible assets	30,684,196	34,319,684
Amortisation of long-term prepaid expenses	2,717,091	2,329,096
Amortisation of deferred income	—	(1,957,222)
Gains on disposal of non-current assets	(525,833)	(9,923)
Investment income	(1,034,311,140)	(500,602,119)
Decrease/(increase) in deferred tax assets	4,048,920	(16,238,570)
Financial expenses	56,961,659	37,855,027
Increase in inventories	(20,817,273)	(216,680,224)
Increase in operating receivables	(319,167,125)	(400,094,473)
Decrease in operating payables	(220,026,026)	(300,823,045)
Net cash flows from operating activities	<u>146,908,960</u>	<u>(256,675,920)</u>

(b) Significant operating activities that do not involve cash receipts and payments

(i) Endorsement of notes receivable

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Goods and services purchased by endorsement of notes receivable	<u>911,904,416</u>	<u>723,977,022</u>

(ii) Notes receivable received

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Notes receivable received for provide of services and sale of goods	<u>1,236,782,993</u>	<u>1,270,934,440</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(33) Notes to the Company's cash flow statement (Continued)

(b) Significant operating activities that do not involve cash receipts and payments (Continued)

(iii) Notes payable issued

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Goods and services purchased by issuing notes payable	<u>94,213,219</u>	<u>22,673,928</u>

(c) Significant investing activities that do not involve cash receipts and payments

(i) Endorsement of notes receivable

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Construction expenditures paid on behalf by endorsement of notes receivable	21,578,781	122,236,176
Long-term assets acquired by endorsement of notes receivable	<u>66,555,500</u>	<u>117,130,944</u>
	<u>88,134,281</u>	<u>239,367,120</u>

(ii) Notes receivable received

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Notes receivable received for construction expenditures paid on behalf	<u>15,679,793</u>	<u>32,420,676</u>

(iii) Notes payable issued

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Long-term assets acquired by issuing notes payable	<u>—</u>	<u>20,101,807</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(33) Notes to the Company's cash flow statement (Continued)

(c) Significant investing activities that do not involve cash receipts and payments (Continued)

(iv) Contribution to QDP Logistics by fixed assets

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Contribution to QDP Logistics by fixed assets	—	84,162,967

(d) Significant financing activities that do not involve cash receipts and payments

(i) Notes receivable discounted

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Short-term borrowings payment deducted by previously discounted notes receivable fall due	126,936,100	393,801,248

(ii) The Company made proposed subscription of domestic shares to Shanghai China Shipping Terminal, and Shanghai China Shipping Terminal paid 20% of its equity interest in of QQCT evaluating as RMB 3,198,650,840 (Note 6(10) (a)).

(e) Net movements in cash

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Balance at the end of the period	5,543,871,796	2,415,492,438
Less: Cash at the beginning of the period	(2,183,155,558)	(1,374,435,149)
Net increase in cash	3,360,716,238	1,041,057,289

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(33) Notes to the Company's cash flow statement (Continued)

(f) Cash

	30 June 2017 (Unaudited)	31 December 2016
Cash at bank and on hand (Note 17(1))	5,974,033,830	2,253,873,559
Less: Term deposits with initial term of over 3 months	(392,160,000)	(42,000,000)
Other restricted cash balance	(38,002,034)	(28,718,001)
Cash at the end of the period/year	<u>5,543,871,796</u>	<u>2,183,155,558</u>

(g) Cash received relating to other operating activities

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Operating lease rental of port facilities	79,839,984	53,169,576
Deposits and guarantees received	16,647,413	—
Interest from cash at bank	14,601,270	7,149,927
Government grants received	5,770,293	3,634,380
Commission from port construction fees	5,217,846	6,783,495
Port construction fees paid on behalf	2,920,128	—
Land use tax refund	—	11,863,811
Others	2,062,871	14,116,674
	<u>127,059,805</u>	<u>96,717,863</u>

(h) Cash paid relating to other operating activities

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Purchases of goods paid on behalf	8,937,564	—
Intermediary service fee	7,464,957	2,944,338
Railage paid on behalf	7,094,176	—
General office expenses and entertainment expenses	6,470,650	6,466,854
Payments to Qingdao Port Group for previously received maturity of bill on behalf	—	67,988,440
Port construction fees paid on behalf	—	16,671,078
Others	11,265,105	7,652,822
	<u>41,232,452</u>	<u>101,723,532</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(33) Notes to the Company's cash flow statement (Continued)

(i) Cash received relating to other investing activities

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Loans repayment received from related parties	60,000,000	210,000,000
Agent construction expenditures receivables from related parties received	—	20,266,985
Construction expenditures paid on behalf of subsidiaries received	—	7,967,327
	<u>60,000,000</u>	<u>238,234,312</u>

(j) Cash paid relating to other investing activities

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Loans provided to related parties	425,000,000	2,055,000,000
Construction expenditures paid on behalf of subsidiaries	27,202,441	—
Construction expenditures paid on behalf of related parties	2,751,587	—
	<u>454,954,028</u>	<u>2,055,000,000</u>

(k) Cash payments relating to other financing activities

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Payment to Qingdao Port Group	417,577,939	—
Payment for shares issue expenses	13,009,480	—
	<u>430,587,419</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(34) Related parties and related party transactions

(a) The parent company and subsidiaries

The general information of the parent company is set out in Note 10(1). The general information and other related information of the subsidiaries is set out in Note 8.

(b) Information of joint ventures and associates

The general information and other related information of joint ventures and associates are set out in Note 10(3). Related information of other related parties is set out in Note 10(4).

(c) Related party transactions

(i) Pricing policies

The transaction between the Company and related parties is based on mutually agreed price and settlement terms between both parties in the process of general business. Rental from and to related parties are negotiated by both parties. Interest rate of deposits in related parties and loans acquired from related parties is determined by both parties with reference to the corresponding PBOC benchmark interest rate.

(ii) Purchase of goods and receiving of services

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
QDOT	302,870,055	258,590,883
Qingdao Port Engineering	164,188,977	239,375,799
QDP Logistics	149,815,732	1,812,390
China Marine Bunker Qingdao	58,905,402	46,821,975
DMT	21,286,535	—
Huaneng Qingdao	12,800,381	18,250,681
Datang Port	9,993,326	580,196
Ocean Shipping Repair	7,050,050	5,246,159
Hongyu Hotel	3,146,999	46,751
Gangrong Storage	2,476,305	1,306,764
Tongze Trading	2,157,833	7,431,967
Svitzer Towage	1,235,940	10,596
Fuwai Hospital	1,115,433	886,874
Technology Company	665,115	9,183,660
Lianjie Logistics	10,602	7,794,467
Others	2,965,818	2,890,976
	740,684,503	600,230,138

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(34) Related parties and related party transactions (Continued)

(c) Related party transactions (Continued)

(iii) Provision of services such as transportation, stevedoring and repairing

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
QDP Logistics	46,639,548	37,269,430
Qingdao Ocean Shipping	26,704,966	23,106,497
Dongjiakou IMC Logistics	25,803,814	—
QDOT	12,135,172	4,344,393
Svitzer Towage	11,561,321	3,800,000
DMT	11,024,543	3,091,150
Qingdao Shihua	10,380,961	8,016,895
QQCT	9,165,345	7,149,143
Gangrong Storage	6,040,362	8,487,300
Mercuria Oil Terminal	5,706,369	936,108
QQCTN	5,598,009	—
Binzhou Port QDP International Terminal	4,544,756	1,576,577
Datang Port	3,925,722	1,898,990
QQCTU	2,585,847	3,363,817
West United	2,170,203	4,368,211
International Liner Port Construction Development	1,827,605	3,567,297
Ganghua Logistics	1,735,122	12,730,418
Ocean & Great Asia	1,324,355	817,897
COSCO Container Lines	1,267,192	—
Shanghai Pan-Asia Shipping	1,091,760	3,162
Eimskip Coldchain	715,211	1,723,866
Lianjie Logistics	610,231	2,469,146
Evergreen Container	241,990	1,008,964
COSCO SHIPPING Freight	169,971	1,772,894
COSCO Container SHIPPING	—	1,102,616
China Shipping Agency	—	349,092
Others	9,503,644	5,076,484
	202,474,019	138,030,347

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(34) Related parties and related party transactions (Continued)

(c) Related party transactions (Continued)

(iv) Provision of construction services

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
QQCTN	104,138,465	11,676,875
Weifang Port Lianhua	16,319,189	—
Mercuria Oil Terminal	11,119,903	—
Lianhua Pipeline	6,847,509	—
Qingdao Port Group	3,908,513	987,956
Qingdao Port Engineering	3,643,592	—
Qingdao Shihua	1,208,988	—
QDOT	—	48,417,951
QDP Investment	—	4,574,958
QQCT	—	3,041,847
Others	849,034	739,919
	148,035,193	69,439,506

(v) Sales of port machinery and other machineries

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
QQCTN	47,562,458	—
QDOT	32,791,534	4,707,447
QQCT	19,974,021	9,371,368
Mercuria Oil Terminal	8,114,530	2,568,282
DMT	1,905,983	28,355,271
QQCTI	—	120,508,689
Others	1,059,768	492,308
	111,408,294	166,003,365

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(34) Related parties and related party transactions (Continued)

(c) Related party transactions (Continued)

(vi) Sales of water, electricity, steam and oil, etc.

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
QQCT	59,458,543	52,969,925
QDOT	58,263,664	54,376,342
QQCTUA	6,475,843	308,797
QDP Logistics	6,298,120	7,188,594
West United	5,993,101	4,196,268
Qingdao Shihua	4,272,254	4,552,397
Svitzer Towage	4,102,109	1,481,074
Lianhua Pipeline	4,074,740	1,943
Lianjie Logistics	3,929,317	3,087,531
QQCTU	3,467,024	2,555,034
DMT	3,091,541	6,635,343
Mercuria Oil Terminal	2,969,567	35,119
Evergreen Container	1,966,986	1,632,101
Mercuria Logistics	1,643,739	1,713,199
Eimskip Coldchain	1,536,191	1,513,505
Qingdao Port Engineering	1,480,160	4,433,602
International Liner Port Construction Development	1,320,352	917,036
Tongbao Shipping	1,317,822	396,480
Orient Container	1,071,788	886,557
Qingdao Port Properties	822,982	1,075,310
Ocean shipping tally services	340,339	1,641,084
Tongze Trading	24,527	5,941,814
Others	5,814,402	6,713,382
	179,735,111	164,252,437

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(34) Related parties and related party transactions (Continued)

(c) Related party transactions (Continued)

(vii) Rental income

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
QQCT	114,541,092	99,488,710
Qingdao Shihua	20,157,617	16,110,000
QDOT	6,050,916	179,487
Lianxin Logistics	5,164,247	22,154
Lianjie Logistics	4,412,434	—
Orient Container	2,841,102	3,042,700
Eimskip Coldchain	2,619,048	2,724,206
Binzhou Port QDP International Terminal	2,136,652	—
Bonded Logistics Centre	2,076,189	4,457,143
Lianrong Logistics	1,653,349	—
QQCTN	1,382,547	1,315,880
Evergreen Container	17,143	3,059,193
Shenzhouxing Transportation	—	2,845,120
Others	2,323,444	2,779,594
	165,375,780	136,024,187

(viii) Payment for operating lease rental

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Qingdao Port Group	37,225,889	37,841,883
QDP Investment	1,146,569	—
QPIS	—	3,917,379
Others	451,497	726,982
	38,823,955	42,486,244

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(34) Related parties and related party transactions (Continued)

(c) Related party transactions (Continued)

(ix) Port management income collected on behalf by related parties

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Qingdao Shihua	55,353,147	32,818,917
QQCTU	14,755,408	12,421,564
QDOT	3,707,594	—
QQCTUA	2,978,432	2,578,977
West United	2,951,149	3,055,223
QQCTN	362,813	—
QQCT	41,511,747	38,245,438
	121,620,290	89,120,119

(x) Entrusted construction projects on behalf

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Amount paid on behalf -		
QQCTN	152,308,655	164,403,987
Mercuria Logistics	23,566,441	—
Qingdao Port Group	21,267,286	85,068,459
Qingdao Shihua	13,030,471	7,834,502
Mercuria Oil Terminal	3,636,000	6,206,209
Qingdao Port Engineering	—	74,427,526
	213,808,853	337,940,683
Amount received -		
QQCTN	127,525,011	106,799,044
Qingdao Port Group	31,033,380	89,739,054
Qingdao Shihua	19,397,446	6,684,116
Mercuria Logistics	—	84,817,544
QQCTU	—	4,536,219
Qingdao Port Engineering	—	3,783,518
	177,955,837	296,359,495

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(34) Related parties and related party transactions (Continued)

(c) Related party transactions (Continued)

(xi) Loans acquired from and provided to related parties

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Loans acquired -		
Qingdao Finance	—	15,000,000
Loans provided -		
Lianhua Pipeline	365,000,000	—
Mercuria Logistics	40,000,000	160,000,000
Qingdao Leasing	20,000,000	—
QQCTU	—	675,000,000
QDOT	—	520,000,000
QQCTN	—	440,000,000
Mercuria Oil Terminal	—	200,000,000
Huaneng Qingdao	—	60,000,000
	425,000,000	2,055,000,000

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(34) Related parties and related party transactions (Continued)

(c) Related party transactions (Continued)

(xii) Interest

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Interest income -		
Mercuria Oil Terminal	15,858,229	4,459,324
Lianhua Pipeline	14,957,023	—
QQCTU	13,762,677	6,456,359
QDOT	10,602,359	4,788,538
QQCTN	9,968,029	—
Qingdao Finance	7,455,639	1,405,184
Mercuria Logistics	4,047,956	1,700,440
Huaneng Qingdao	862,292	—
Qingdao Leasing	4,332	—
DMT	—	15,078,208
Qingdao Shihua	—	2,257,167
Others	—	1,242,998
	77,518,536	37,388,218
Interest expense -		
Qingdao Finance	408,097	63,267

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(34) Related parties and related party transactions (Continued)

(c) Related party transactions (Continued)

(xiii) Purchase of assets

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
QDP Investment	156,370,500	—
QQCT	18,080,920	—
Eimskip Coldchain	5,421,751	—
	<u>179,873,171</u>	<u>—</u>

(xiv) Transfer of assets

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
DMT	—	880,083,851
	<u>—</u>	<u>880,083,851</u>

(xv) Key management remuneration

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Remuneration of key management	1,848,768	1,221,382
	<u>1,848,768</u>	<u>1,221,382</u>

(xvi) Amounts collected and paid on behalf of related parties

Amounts collected and paid on behalf related parties regarding to early retirement and supplemental retirement benefits are set out in Note 10(5) (r).

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(34) Related parties and related party transactions (Continued)

(d) Receivables from and payables to related parties

(i) Accounts receivable

	30 June 2017 (Unaudited)	31 December 2016
QDOT	40,797,328	25,509,231
Mercuria Oil Terminal	17,410,024	19,454,791
West United	13,012,964	16,170,006
Lianhua Pipeline	12,230,763	—
Dongjiakou IMC Logistics	11,023,598	—
Qingdao Port Engineering	9,645,792	4,886,116
Qingdao Shihua	8,204,664	2,206,948
QQCT	6,701,016	9,057,799
QDP Logistics	6,518,677	3,334,739
Weifang Port Lianhua	5,434,300	—
QDP Investment	5,278,240	5,843,109
Mercuria Logistics	4,000,008	3,237,462
QQCTU	3,756,645	5,461,269
DMT	2,691,846	6,673,541
Binzhou Port QDP International Terminal	2,574,000	2,283,800
Yuntai Logistics	2,351,769	10,481
Qingdao Port Group	2,267,252	1,552,230
Eimskip Coldchain	1,589,637	750,254
Fuwai Hospital	1,580,540	1,580,000
Tongze Trading	1,322,891	2,338,950
Lianjie Logistics	1,224,606	—
Haiwan Liquid Chemical	790,472	1,015,479
Datang Port	765,699	3,215,525
Others	3,028,049	2,290,785
	164,200,780	116,872,515

(ii) Advance to suppliers

	30 June 2017 (Unaudited)	31 December 2016
Tongze Trading	1,863,133	1,863,133
Hongyu Hotel	—	308,000
Technology Company	—	288,000
	1,863,133	2,459,133

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(34) Related parties and related party transactions (Continued)

(d) Receivables from and payables to related parties (Continued)

(iii) Other receivables

	30 June 2017 (Unaudited)	31 December 2016
Short-term borrowings -		
Qingdao Leasing	20,000,000	—
Huaneng Qingdao	—	60,000,000
	20,000,000	60,000,000
Others -		
DMT	250,547,351	295,836,459
QQCTN	209,852,938	179,909,867
Mercuria Logistics	73,618,510	50,073,180
Qingdao Port Engineering	68,378,465	68,814,111
QDOT	6,165,000	6,609,218
QQCTU	5,627,729	7,557,329
Dongjiakou IMC Logistics	5,016,256	—
Mercuria Oil Terminal	3,636,000	—
Binzhou Port QDP International Terminal	2,250,311	3,480,866
Bonded Logistics Centre	2,179,999	—
QDP Logistics	1,603,047	1,058,291
Gangrong Storage	1,600,000	—
Qingdao Shihua	201,006	11,835,147
QQCT	106,507	1,887,164
Shenzhouxing Transportation	—	1,354,819
Others	1,430,412	1,213,810
	632,213,531	629,630,261
	652,213,531	689,630,261

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(34) Related parties and related party transactions (Continued)

(d) Receivables from and payables to related parties (Continued)

(iv) Interests receivable

	30 June 2017 (Unaudited)	31 December 2016
Qingdao Finance	10,478,406	4,171,446
Mercuria Oil Terminal	987,528	987,528
QQCTU	881,719	881,719
Lianhua Pipeline	692,049	263,889
QDOT	679,250	679,250
QQCTN	638,611	638,611
Others	285,000	309,775
	<u>14,642,563</u>	<u>7,932,218</u>

(v) Long-term receivables

	30 June 2017 (Unaudited)	31 December 2016
Lianhua Pipeline	865,000,000	500,000,000
Mercuria Oil Terminal	700,000,000	700,000,000
QQCTU	675,000,000	675,000,000
QDOT	520,000,000	520,000,000
QQCTN	440,000,000	440,000,000
Mercuria Logistics	200,000,000	160,000,000
	<u>3,400,000,000</u>	<u>2,995,000,000</u>

(vi) Short-term borrowings

	30 June 2017 (Unaudited)	31 December 2016
Qingdao Finance	235,000,000	245,000,000
	<u>235,000,000</u>	<u>245,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(34) Related parties and related party transactions (Continued)

(d) Receivables from and payables to related parties (Continued)

(vii) Notes payable

	30 June 2017 (Unaudited)	31 December 2016
Tongze Trading	135,803,872	74,329,839
Qingdao Port Group	22,677,298	42,677,298
QDP Logistics	1,784,336	—
	<u>160,265,506</u>	<u>117,007,137</u>

(viii) Accounts payable

	30 June 2017 (Unaudited)	31 December 2016
Qingdao Port Engineering	539,941,053	7,737,293
QDOT	174,614,067	143,909,670
Tongze Trading	109,713,434	91,543,089
QDP Logistics	102,212,048	157,202,411
China Marine Bunker Qingdao	17,565,390	—
Huaneng Qingdao	10,260,558	12,692,154
Datang Port	1,483,083	—
DMT	1,077,774	—
Others	1,991,916	1,442,613
	<u>958,859,323</u>	<u>414,527,230</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(34) Related parties and related party transactions (Continued)

(d) Receivables from and payables to related parties (Continued)

(ix) Other payables

	30 June 2017 (Unaudited)	31 December 2016
QDP Investment	130,574,731	1,205,508
Technology Company	40,036,765	43,824,100
Qingdao Port Engineering	35,233,468	634,762,990
Qingdao Port Group	28,130,500	477,613,641
COSCO Container Lines	10,694,869	—
Emskip Coldchain	5,953,868	700
COSCO Container Agent	5,697,171	—
Tongze Trading	4,510,399	4,998,344
China Shipping Container Lines	2,516,057	—
QDP Logistics	1,079,226	1,040,278
Others	23,651,817	2,841,378
	288,078,871	1,166,286,939

(x) Advances from customers

	30 June 2017 (Unaudited)	31 December 2016
QQCT	215,662,374	197,421,375
Qingdao Leasing	25,349,744	—
Qingdao Shihua	22,251,460	2,220,000
Lianjie Logistics	4,633,054	—
QQCTN	2,518,940	2,518,940
Emskip Coldchain	1,375,000	4,125,000
QQCTU	1,210,360	1,210,360
Others	6,621,328	—
	279,622,260	207,495,675

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(34) Related parties and related party transactions (Continued)

(d) Receivables from and payables to related parties (Continued)

(xi) Cash at bank and on hand

	30 June 2017 (Unaudited)	31 December 2016
Qingdao Finance	<u>4,463,364,659</u>	<u>2,127,988,549</u>

(xii) Interests payable

	30 June 2017 (Unaudited)	31 December 2016
Qingdao Finance	<u>250,125</u>	<u>325,646</u>

(xiii) Dividends payable

	30 June 2017 (Unaudited)	31 December 2016
Qingdao Port Group	460,291,059	—
Shanghai China Shipping Terminal	132,484,739	—
Qingdao Ocean Shipping Co., Ltd.	12,524,160	—
China Shipping Terminal Development Co., Ltd.	12,524,160	—
	<u>617,824,118</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(34) Related parties and related party transactions (Continued)

(e) Commitments in relation to related parties

Except for the Port Facilities in Qianwan port area leased out to QQCT, and dock basin and oil transfer arm leased to QQCTN, QQCTU and Qingdao Shihua stated in Note 6(30), the commitments in relation to related parties contracted for but not yet necessary to be recognised on the balance sheet by the Company as at the balance sheet date are as follows:

Leases

	30 June 2017 (Unaudited)	31 December 2016
– Lessee		
Qingdao Port Group	37,842,000	—
Svitzer Towage	9,750,000	11,050,000
	<u>47,592,000</u>	<u>11,050,000</u>
	30 June 2017 (Unaudited)	31 December 2016
– Lessor		
QQCT	416,945,000	429,150,000
Qingdao Shihua	20,000,000	—
Eimskip Coldchain	12,375,000	—
Lianxin Logistics	8,649,198	4,250,000
Binzhou Port QDP International Terminal	6,498,000	—
QDOT	6,165,000	—
Lianjie Logistics	4,633,055	—
Ocean & Great Asia	3,031,550	—
Orient Container	2,792,881	—
Bonded Logistics Centre	2,180,000	—
Lianrong Logistics	1,736,015	—
Ocean Shipping Repair	1,125,000	—
E-Link Logistics	120,000	—
Technology Company	115,200	—
International Trade Logistics	46,300	—
Evergreen Container	36,000	—
Shenzhouxing Transportation	—	4,267,680
	<u>486,448,199</u>	<u>437,667,680</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

(35) Investment commitments

In accordance with the joint venture agreement signed by the Company, Yijia Haiye and Mercuria Energy Asia Pte. Ltd. in December 2013, the Company is committed to make an investment of RMB 263,562,264 in the subsidiary Mercuria Oil Terminal. As at 30 June 2016, the Company has made an accumulated contribution of RMB 182,079,200 with an amount of RMB 81,483,064 unpaid.

In accordance with the joint venture agreement signed in November 2015 and the capital increase contract signed on 27 September 2016 among the Company, Qingdao Leruite Oil Co., Ltd. and Weifang Hongrun Asset Management Co., Ltd., the Company is committed to make an investment of RMB 306,000,000 in the subsidiary Lianhua Pipeline. As at 30 June 2017, the Company has made an accumulated contribution of RMB 153,000,000, which has not been paid yet.

Introduction of other significant investment commitments is set out in Note 11(3).