



# 秦皇岛港股份有限公司

## QINHUANGDAO PORT CO., LTD.\*

*(a joint stock limited liability company incorporated in the People's Republic of China)*  
Stock Code : 3369



# 2017

## Interim Report

\*For identification purposes only



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# CORPORATE INFORMATION

## OFFICIAL NAME OF THE COMPANY

秦皇島港股份有限公司

## ENGLISH NAME OF THE COMPANY

QINHUANGDAO PORT CO., LTD.\*

## LEGAL REPRESENTATIVE

Mr. CAO Ziyu (曹子玉)

## BOARD OF DIRECTORS

### (1) Executive Directors

Mr. CAO Ziyu (曹子玉)  
Mr. YANG Wensheng (楊文勝)  
Mr. WANG Lubiao (王錄彪)  
Mr. MA Xiping (馬喜平)

### (2) Non-executive Directors

Mr. LI Jianping (李建平)  
Mr. MI Xianwei (米獻煒)

### (3) Independent Non-executive Directors

Mr. LI Man Choi (李文才)  
Mr. ZHAO Zhen (趙振)  
Ms. ZANG Xiuqing (臧秀清)  
Mr. HOU Shujun (侯書軍)

## BOARD COMMITTEES

### (1) Audit Committee

Ms. ZANG Xiuqing (臧秀清) (Chairwoman)  
Mr. MI Xianwei (米獻煒)  
Mr. LI Man Choi (李文才)

### (2) Remuneration and Appraisal Committee

Mr. HOU Shujun (侯書軍) (Chairman)  
Mr. YANG Wensheng (楊文勝)  
Ms. ZANG Xiuqing (臧秀清)

### (3) Nomination Committee

Mr. ZHAO Zhen (趙振) (Chairman)  
Mr. LI Jianping (李建平)  
Ms. ZANG Xiuqing (臧秀清)

### (4) Strategy Committee

Mr. CAO Ziyu (曹子玉) (Chairman)  
Mr. YANG Wensheng (楊文勝)  
Mr. MI Xianwei (米獻煒)  
Mr. ZHAO Zhen (趙振)  
Mr. HOU Shujun (侯書軍)

## SUPERVISORY COMMITTEE

### (1) Supervisors

Mr. NIE Yuzhong (聶玉中)  
Mr. BU Zhouqing (卜周慶)  
Mr. LIU Simang (劉巴莽)

### (2) Employee Representative Supervisors

Mr. CAO Dong (曹棟)  
Ms. CHEN Linyan (陳林燕)

\* For identification purpose only

# CORPORATE INFORMATION

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## COMPANY SECRETARY

Mr. ZHANG Nan (張楠)

## AUTHORIZED REPRESENTATIVES

Mr. MA Xiping (馬喜平)

Mr. ZHANG Nan (張楠)

## AUDITORS

Ernst & Young Hua Ming LLP  
Level 16, Ernst & Young Tower Oriental Plaza,  
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Beijing, the PRC

## LEGAL ADVISORS AS TO HONG KONG LAW

Li & Partners  
22nd Floor, World-Wide House  
19 Des Voeux Road Central  
Central, Hong Kong

## REGISTERED ADDRESS

35 Haibin Road Qinhuangdao  
Hebei Province, the PRC

## HEADQUARTERS

35 Haibin Road Qinhuangdao  
Hebei Province, the PRC

## PRINCIPAL PLACE OF BUSINESS

35 Haibin Road Qinhuangdao  
Hebei Province, the PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

22th Floor, World-Wide House  
19 Des Voeux Road Central  
Central, Hong Kong

## PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited  
(Qinhuangdao Haibin Road Branch)  
Bank of Communications Co., Limited (Cangzhou Branch)  
China Minsheng Banking Corp., Limited (Cangzhou Branch)  
Bank of China Limited (Tangshan Branch)

## H SHARE REGISTRAR IN HONG KONG

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17th Floor, Hopewell Centre  
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Wanchai, Hong Kong

## COMPANY WEBSITE

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## STOCK CODE

3369



# MANAGEMENT DISCUSSION AND ANALYSIS

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## (I) INDUSTRY OVERVIEW

### (1) General Situation

In the first half of 2017, the PRC's national economy continued to show a pattern of stability with progress and grow at a steady pace with favourable momentum. The economy maintained medium to high growth with year-on-year growth in GDP of 6.9%, and has been growing within a range of 6.7% to 6.9% for eight consecutive quarters, which showed a more solid and stable economic operation. The stability, coordination and sustainability of China's economic development were enhanced.

### (2) Overview of Port Industry in the PRC

In the first half of 2017, the overall harbour production in China recorded a relatively fast growth. The throughput of cargoes above designated size reached 6,247 million tonnes, representing a year-on-year increase of 7.5% as compared with the corresponding period in 2016, of which, coastal ports achieved 4,307 million tonnes, representing a year-on-year increase of 7.3%, river ports achieved 1,940 million tonnes, representing a year-on-year increase of 8.1%.

For coal business, the China government has been actively eliminating coal production with backward capacity, giving full play to the function of high-quality production, improving the structure of coal production and continuously improving the quality of effective supply of coal. In the first half of 2017, the raw coal production of the enterprises above designated size reached 1,712 million tonnes, representing a year-on-year increase of 5%. The raw coal production continued to record restorative growth. The import volume of coal achieved 120 million tonnes, representing a year-on-year increase of 25.7%. Coal consumption turned positive. In the first half of 2017, the coal consumption of China amounted to approximately 1,830 million tonnes, representing a year-on-year increase of around 1%. In addition to building materials industry, the coal consumption by power, steel and chemical industries also recorded positive growth. Driven by the demand and affected by factors including highway anti-overloading and environmental control simultaneously, the proportion of coal railway transportation increased.

For iron ore, the domestic industrial production in China accelerated, and investment in the infrastructure strengthened. The supply and demand pattern of iron and steel industry continued to improve. The demand for iron ore increased. In the first half of 2017, the import volume of iron ore and its concentrate amounted to 539 million tonnes, representing a year-on-year increase of 9.3%.

For crude oil, the production output of crude oil amounted to 96.453 million tonnes, representing a year-on-year decrease of 5.1%. The processed crude oil reached 275 million tonnes, representing a year-on-year increase of 3.0%. The import volume of crude oil achieved 212 million tonnes, representing a year-on-year increase of 13.8%.

(Source: National Bureau of Statistics of the PRC, Ministry of Transport of the PRC, National Energy Administration of the PRC, General Administration of Customs of the PRC)

# MANAGEMENT DISCUSSION AND ANALYSIS

## (II) RESULTS OF OPERATION AND FINANCIAL PERFORMANCE

### (1) Revenue

We provide highly integrated port services including stevedoring, stacking, warehousing, transportation and logistics services. We handle various types of cargoes mainly including coal, metal ores, oil and liquefied chemicals, containers and general cargoes. We also provide value-added services including towing, tallying and coal blending.

During the Reporting Period, the revenue of the Group amounted to RMB3,393,629 thousand, representing an increase of RMB1,005,370 thousand or 42.10% as compared with the revenue of RMB2,388,259 thousand in the corresponding period in 2016. Such increase was mainly attributable to the combined effect of the stabilizing the PRC's macro economy which started to pick up, increase in transport volume of Datong-Qinhuangdao Railway, rationalizing competition from surrounding ports and the increasing coal operating rate.

The following table sets forth the revenue generated from each type of cargo we serviced:

	For the six months ended 30 June					
	2017 Revenue (RMB'000)	Percentage of total revenue (%)	2016 Revenue (RMB'000)	Percentage of total revenue (%)	Increase/ (decrease) (RMB'000)	Increase/ (decrease) (%)
Dry bulk	3,080,459	90.77	2,096,514	87.78	983,945	46.93
– Coal	2,462,060	72.55	1,753,399	73.42	708,661	40.42
– Metal ore	618,399	18.22	343,115	14.37	275,284	80.23
Oil and liquefied chemicals	33,352	0.98	30,719	1.29	2,633	8.57
Container	62,032	1.83	62,921	2.63	(889)	(1.41)
General and other cargoes	94,957	2.80	88,850	3.72	6,107	6.87
Others	122,830	3.62	109,254	4.57	13,576	12.43
<b>Total</b>	<b>3,393,629</b>	<b>100.00</b>	<b>2,388,259</b>	<b>100.00</b>	<b>1,005,370</b>	<b>42.10</b>

### (2) Operating Costs

Our operating costs primarily includes labour costs, depreciation and amortization, power and fuel costs, repair and maintenance expenses, environmental protection and sewage charges and leasing expenses.

During the Reporting Period, the operating costs of the Group amounted to RMB2,098,966 thousand, representing an increase of RMB300,945 thousand or 16.74% as compared with the operating costs of RMB1,798,021 thousand in the corresponding period in 2016. Such increase was mainly attributable to the respective increase in variable costs including staff performance bonus, power and fuel costs, and environmental protection and sewage charges affected by the increased throughput and the year-on-year increase in costs of Cangzhou Mineral, its subsidiary which officially commenced its operation in October 2016.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (3) Gross Profit Margin

During the Reporting Period, the gross profit of the Group amounted to RMB1,294,663 thousand, representing an increase of RMB704,425 thousand or 119.35% as compared with the gross profit of RMB590,238 thousand in the corresponding period in 2016. The gross profit margin of the Group was 38.15% for the Reporting Period, representing a year-on-year increase of 13.44 percentage points as compared with 24.71% in the corresponding period in 2016. Such increase was mainly due to an increase in throughput during the Reporting Period which results in that the increase in gross profit was larger than the increase in revenue.

## (4) Segment Analysis<sup>1</sup> (Business Review)

During the Reporting Period, the Group achieved a total cargo throughput of 188.85 million tonnes<sup>1</sup>, representing an increase of 37.26 million tonnes or 24.58%, as compared with the throughput of 151.59 million tonnes<sup>1</sup> in the corresponding period in 2016. The throughputs generated from each of the ports which we operate are as follows:

	For the six months ended 30 June					
	2017 Throughput (million tonnes)	Percentage of total throughput (%)	2016 Throughput (million tonnes)	Percentage of total throughput (%)	Increase/ (decrease) (million tonnes)	Increase/ (decrease) (%)
Qinhuangdao Port <sup>2</sup>	117.54	62.24	84.61	55.82	32.93	38.92
Caofeidian Port <sup>3</sup>	39.47	20.90	36.60	24.14	2.87	7.86
Huanghua Port <sup>4</sup>	31.84	16.86	30.38	20.04	1.46	4.81
Total	188.85	100.00	151.59	100.00	37.26	24.58

During the Reporting Period, the Group achieved a cargo throughput of 117.54 million tonnes<sup>2</sup> in Qinhuangdao Port, representing an increase of 32.93 million tonnes or 38.92% from 84.61 million tonnes<sup>2</sup> for the corresponding period in 2016. The increase was mainly due to the fact that the main cargo handled in Qinhuangdao Port was coal, and benefited from the economic growth, increase in demand for coal, release of advanced production capacity of coal, national policies of environmental protection and other factors, the coal throughput recorded a significant increase.

The Group achieved a cargo throughput of 39.47 million tonnes<sup>3</sup> in Caofeidian Port, representing an increase of 2.87 million tonnes or 7.86% from 36.60 million tonnes<sup>3</sup> for the corresponding period in 2016. The increase was mainly due to Caofeidian Shiye's effort to establish long-term business relationship with customers, to stabilise cargo sources and to launch mixed mine business. As such, the iron ore throughput of Caofeidian Port achieved a moderate increase.

The Group achieved a cargo throughput of 31.84 million tonnes<sup>4</sup> in Huanghua Port, representing an increase of 1.46 million tonnes or 4.81% from 30.38 million tonnes<sup>4</sup> for the corresponding period in 2016. The increase was mainly due to the Group's effort to consolidate and expand its markets, to guide customers to conduct their business of collecting coal from the train and distributing metal ore at the port in Huanghua Port and to improve the capability of cargo collection and centralized transportation by railway, and the increase in the cargo sources of coal and metal ore.



# MANAGEMENT DISCUSSION AND ANALYSIS

The cargo throughput of each type of cargoes we handled is set out below:

	For the six months ended 30 June					
	2017 Throughput (million tonnes)	Percentage of total throughput (%)	2016 Throughput (million tonnes)	Percentage of total throughput (%)	Increase/ (decrease) (million tonnes)	Increase/ (decrease) (%)
Dry bulk <sup>5</sup>	175.87	93.13	140.36	92.59	35.51	25.30
– Coal	115.65	61.24	82.66	54.53	32.99	39.91
– Metal ore	60.22	31.89	57.70	38.06	2.52	4.37
Oil and liquefied chemicals	1.58	0.83	1.57	1.04	0.01	0.77
Container <sup>6</sup>	7.10	3.76	6.82	4.50	0.28	4.10
General and other cargoes <sup>7</sup>	4.30	2.28	2.84	1.87	1.46	51.38
Total <sup>1</sup>	188.85	100.00	151.59	100.00	37.26	24.58

## (i) Dry bulk cargoes handling services

Our dry bulk cargoes handling services mainly include coal and metal ores handling services. During the Reporting Period, the Group recorded a total dry bulk throughput of 175.87 million tonnes, representing an increase of 35.51 million tonnes or 25.30% from 140.36 million tonnes for the corresponding period in 2016. The increase was mainly due to the significant increase in dry bulk throughput of the Group which was led by the improvement of the macro market environment, the effective measures taken by the Group to attract customers and stabilise cargo sources.

During the Reporting Period, the Group achieved a total coal throughput of 115.65 million tonnes, representing an increase of 32.99 million tonnes or 39.91% from 82.66 million tonnes for the corresponding period in 2016. Such increase was mainly due to three reasons. First, the macro economy of the PRC continued to remain positive. Both electricity supply and electricity consumption recorded a year-on-year increase. The demand for thermal coal increased significantly. Second, benefited from the national environmental policy, some of the original coal transportation to surrounding ports by truck has been transferred to Qinhuangdao Port by railway. Third, the Group optimized the function of its service, improved the service quality and promoted the marketing of the ports comprehensively.

During the Reporting Period, the Group achieved a total metal ores throughput of 60.22 million tonnes, representing an increase of 2.52 million tonnes or 4.37% from 57.70 million tonnes for the corresponding period in 2016. Such increase was mainly due to the fact that, on one hand, during the first half of the year, the steel enterprises in the hinterland of the ports recorded earnings and increased their demand for imported iron ores; on the other hand, in addition to active market expansion, the Group also maintained good internal production organization to ensure operation efficiency.

## (ii) Oil and liquefied chemicals handling services

During the Reporting Period, the Group recorded a total oil and liquefied chemicals throughput of 1.58 million tonnes, representing an increase of 0.01 million tonnes or 0.77% from 1.57 million tonnes for the corresponding period in 2016. The increase was mainly due to the fact that the Group actively identified and developed new cargo sources in addition to consolidating the existing cargo sources.



# MANAGEMENT DISCUSSION AND ANALYSIS

## (iii) Container services

During the Reporting Period, the Group achieved better results in respect of the “dry bulk & general cargoes to containers” reform, increase in volume of imported cargo sources, expansion of sea-rail intermodal transportation business and stabilization and development of shipping lines. As a result, during the Reporting Period, the Group recorded a total container throughput of 575,634 TEU, equivalent to a throughput of 7.10 million tonnes, representing increases in the number of containers handled and throughput of 47,941 TEU and 0.28 million tonnes, respectively, (i.e. 9.09% and 4.10%, respectively) as compared with the number of containers handled and throughput of 527,693 TEU and 6.82 million tonnes for the corresponding period in 2016, respectively.

## (iv) General cargoes handling services

During the Reporting Period, the Group recorded a total throughput of general and other cargoes of 4.30 million tonnes, representing an increase of 1.46 million tonnes or 51.38% from 2.84 million tonnes for the corresponding period in 2016. The increase in general cargoes handling throughput was mainly due to the fact that we implemented a system under which major customers shall be handled by managers, continued to improve our service quality, put great efforts in the development of cargo sources, explored the potential in small and medium cargo sources and further diversified the cargo sources.

## (v) Ancillary port services and value-added services

We also provide a variety of ancillary port services and value-added services. Our ancillary port services include tugging, tallying, trans-shipping, and shipping agency services during the Reporting Period. Our value-added services mainly include towing, tallying, coal blending and tariff-free warehouse and export supervisory warehouse services.

Notes:

1. Throughput includes that of Caofeidian Shiye. Caofeidian Shiye operates terminals in Caofeidian Port and is a non-consolidated associate company of, and is 35% owned by, the Company. The Company is the largest shareholder of Caofeidian Shiye. During the Reporting Period, the throughput of Caofeidian Shiye was 39.47 million tonnes, consisting of 1.14 million tonnes of coal and 38.33 million tonnes of metal ores. Throughput includes that of Cangzhou Bohai Jinji Container Terminal Co., Ltd\* (滄州渤海津冀集裝箱碼頭有限公司) (“Jinji Container”), which was established on 18 November 2016. An equity transfer agreement about Jinji Container was signed on 17 May 2017 (please refer to the announcement published on 17 May 2017 by the Company for more details), and the change of business registration was completed on 31 May 2017. After the equity transfer, Jinji Container is a non-consolidated joint venture of the Company. The Company directly owns 10% interests and indirectly owns 45% interests in Jinji Container. During the Reporting Period, the throughput of Jinji Container was 300,492TEUs, among which 54,321TEUs was after the equity transfer.
2. Includes containers throughput. Using TEU as the measuring unit, the Group recorded a containers throughput of 275,142 TEU in Qinhuangdao Port during the Reporting Period.
3. Representing throughput from Caofeidian Shiye.
4. Includes containers throughput. Using TEU as the measuring unit, the Group recorded a containers throughput of 300,492 TEU in Huanghua Port during the Reporting Period.
5. The dry bulk cargoes we handle mainly consist of coal and metal ores.
6. During the Reporting Period, using TEU as the measuring unit, the Group recorded a containers throughput of 575,634 TEU.
7. General and other cargoes include grain, fertilizer, etc

# MANAGEMENT DISCUSSION AND ANALYSIS

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## (5) Administrative Expenses and Selling Expenses

During the Reporting Period, our total administrative expenses and selling expenses amounted to RMB394,780 thousand, representing an increase of RMB7,785 thousand or 2.01% from RMB386,995 thousand for the corresponding period in 2016. The increase was mainly attributable to the fact that, on one hand, because of better operating results, staff performance bonus increased; on the other hand, since May 2016, the property tax, land use tax, vehicle use tax and stamp duty were reclassified to tax and surcharges for accounting purpose; in addition, early retirement benefits also decreased as compared with the corresponding period in 2016.

## (6) Financial Costs

During the Reporting Period, our financial costs amounted to RMB172,278 thousand, representing an increase of RMB56,142 thousand or 48.34% from RMB116,136 thousand for the corresponding period in 2016. The increase was mainly attributable to that Phase 1 of metal ores terminal project in Cangzhou Mineral (滄州礦石碼頭一期工程) was reclassified to fixed assets in September 2016 and the interest on borrowings in this period was expensed.

## (7) Investment Income

During the Reporting Period, our investment income amounted to RMB82,369 thousand, representing an increase of RMB15,186 thousand or 22.60% from RMB67,183 thousand for the corresponding period in 2016. The increase was mainly attributable to an increase in investment income from disposal of Jinji Container.

## (8) Other Income and Net Non-operating Revenue and Expenses

Since 1 January 2017, the government subsidies in relation to the daily activities of the Group were reclassified from non-operating revenue to other revenue for accounting purpose. During the Reporting Period, our other income and net non-operating revenue and expenses amounted to RMB42,163 thousand, representing an increase of RMB27,400 thousand or 185.60% from RMB14,763 thousand for the corresponding period in 2016. The increase was mainly attributable to receiving benefits and employment subsidies during the Reporting Period.

## (9) Income Tax Expense

Income tax expense of the Group increased by RMB130,580 thousand to RMB174,407 thousand for the Reporting Period from RMB43,827 thousand for the corresponding period in 2016, and the effective income tax rate of the Group decreased to 21.91% for the Reporting Period from 23.85% for the corresponding period in 2016, which was mainly due to the fact that Cangzhou Mineral, a subsidiary of the Group, enjoyed the tax preferential policy of "three-year exemption and three-year 50% reduction".

## (10) Net Profit

Net profit of the Group for the Reporting Period amounted to RMB621,672 thousand, representing an increase of RMB481,749 thousand or 344.30% from RMB139,923 thousand for the corresponding period in 2016. Our net profit attributable to owners of the parent for the Reporting Period amounted to RMB617,039 thousand, representing an increase of RMB479,675 thousand or 349.20% from RMB137,364 thousand for the corresponding period in 2016. The increase in net profit was mainly due to the combined effect of the stabilizing the PRC's macro economy which started to pick up, increase in transport volume of Datong-Qinhuangdao Railway, rationalizing competition from surrounding ports and the increasing coal operating rate, which resulted in increase of operating profit.

During the Reporting Period, net profit margin of the Group was 18.32%, representing an increase of 12.46 percentage points from approximately 5.86% for the corresponding period in 2016.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (11) Earnings Per Share

Earnings per Share are calculated by dividing the net profit attributable to owners of the parent for the Reporting Period by the weighted average number of ordinary Shares in issue during the Reporting Period. Earnings per Share of the Group for the Reporting Year amounted to RMB0.1227, representing an increase of 349.45% from RMB0.0273 for the corresponding period in 2016. Please refer to Note V-48 to the financial statements for the calculation of earnings per Share.

## (12) Capital Structure, Cash Flows and Financial Resources

The Group's funds are mainly used for investment, operating costs, construction of berths and repayment of loans. The Group primarily relied on funds generated from operations and bank loans for our working capital requirement.

During the Reporting Period, net cash flows generated from operating activities amounted to RMB1,498,227 thousand, representing an increase of RMB922,151 thousand or 160.07% as compared with RMB576,076 thousand for the corresponding period in 2016. Such increase was mainly resulted from an increase in revenue during the Reporting Period.

During the Reporting Period, net cash flows generated from investing activities amounted to RMB-63,843 thousand, representing a decrease of RMB672,086 thousand or 110.50% as compared with RMB608,243 thousand for the corresponding period in 2016. Such decrease was mainly resulted from an increase in the payment of the projects during the Reporting Period and additional investment on joint and associate ventures.

During the Reporting Period, net cash flows from financing activities amounted to RMB-8,639 thousand, representing an increase of approximately RMB209,477 thousand as compared with RMB-218,116 thousand for the corresponding period in 2016. Such increase was mainly attributable to that the net increase in borrowings from banks represented an increase as compared with that for the corresponding period in 2016.

Due to the above reasons, as at 30 June 2017, the Group held a balance of cash and cash equivalents of approximately RMB2,568,496 thousand, representing an increase of RMB221,122 thousand or 9.42% from RMB2,347,374 thousand as at 30 June 2016.

Due to the above reasons, as at 30 June 2017, the gearing ratio (total liabilities divided by total assets) of the Group was 48.96%, which decreased by 5.36 percentage points as compared with the gearing ratio of 54.32% as at 30 June 2016.

The table below sets forth the summary of the consolidated statement of cash flows of the Group for the reporting periods indicated:

	30 June 2017 (RMB'000)	30 June 2016 (RMB'000)
Net cash flow generated from operating activities	1,498,227	576,076
Net cash flow generated from investing activities	-63,843	608,243
Net cash flow generated from financing activities	-8,639	-218,116
Net increase in cash and cash equivalents	1,418,690	970,917
Cash and cash equivalents at the beginning of period	1,149,806	1,376,457
Cash and cash equivalents at the end of period	2,568,496	2,347,374



# MANAGEMENT DISCUSSION AND ANALYSIS

## (13) Exchange Rate Risks

The operations of the Group mainly locate in the PRC, and substantially all of business assets, liabilities, operating revenue and expenses are denominated in or settled in RMB, while debts denominated in foreign currencies are mainly used to pay overseas agency fees. As such, the Group has not adopted any foreign exchange hedging arrangement.

## (14) Bank Loans and Other Borrowings

As at 30 June 2017, the details of the Group's bank loans and other borrowings are set out in Note V-20 and V-28 to the financial statements in this report.

## (15) Pledge of Assets and Contingent Liabilities

The Group has no pledge of assets and contingent liabilities during the Reporting Period.

## (16) Capital Commitment

Details of the Group's capital commitment during the Reporting Period are set out in Note XI to the financial statements of this report.

## (17) Management of Working Capital

	30 June 2017	30 June 2016
Current ratio	0.85	0.62
Quick ratio	0.72	0.52
Turnover days of trade receivables	8.10	14.01
Turnover days of trade payables	12.18	13.38

As at 30 June 2017, the Group's current ratio and quick ratio were approximately 0.85 and 0.72, respectively, representing increases as compared with the current ratio of 0.62 and quick ratio of 0.52 as at 30 June 2016. The turnover days of trade receivables for the Reporting Period was 8.10 days and the turnover days of trade payables was 12.18 days, representing a decrease of 5.91 days and 1.20 days, respectively, as compared with 14.01 days and 13.38 days for the corresponding period in 2016. The above ratios and turnover days had improved significantly compared with those for the corresponding period of 2016.

## (18) Overview of Major Investments

During the Reporting Period, the Group did not make material investment in its subsidiaries or associated companies.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (19) Material Acquisition and Disposal

On 17 May 2017 (after trading hours), Cangzhou Bohai (a 96.08% owned subsidiary of the Company and as the Transferor) entered into the Equity Transfer Agreement with Bohai Jin-Ji Port Investment and Development Company Limited (“Bohai Jinji”) (as the Transferee), pursuant to which Cangzhou Bohai has agreed to transfer and Bohai Jinji has agreed to acquire 90% equity interest in Jinji Container at a consideration of RMB559,572,840 (subject to the adjustment of the last consideration). Immediately after the Equity Transfer Completion Date, Jinji Container will cease to be a subsidiary of the Company. Accordingly, the financial results of Jinji Container will no longer be consolidated into the Company’s financial statements after the Equity Transfer Completion Date. The Equity Transfer constitutes a discloseable transaction and is therefore subject to reporting and announcement requirements under the Listing Rules, but is exempt from the circular, shareholders’ approval and accountant’s report requirements. For details, please refer to the Company’s announcement dated 17 May 2017.

## (20) Future Plans Relating to Material Investment or Capital Assets

As at the date of this report, save for the disclosed information, the Group did not enter into any agreement in respect of any proposed acquisitions and did not have any other future plans relating to material investment or capital asset.

## (III) PROSPECTS IN THE SECOND HALF OF 2017

It is expected that the PRC’s economy will maintain stable growth in the second half of the year. The Group will continue to put great efforts in carrying out marketing initiatives and strive to increase the cargo sources in order to achieve stable growth in throughput.

### Coal business:

In the second half of 2017, the port business of Tangshan Caofeidian Coal Port Co., Ltd. (“**Caofeidian Coal**”), a subsidiary of the Group, will further improve, thereby driving the increase of overall throughput of the Group. The gradual increase in cargo throughput of Mengji Railway will provide stable cargoes supply to Caofeidian, which will effectively increase the overall share of the Group in the coal market. The Company will further implement the management model of “integration between Qinhuangdao Port and Caofeidian Port”, leverage on the respective advantages of Qinhuangdao Port and Caofeidian Coal and refine the linkage mechanism between the two ports in order to maximize the overall throughput capacity of Qinhuangdao Port and Caofeidian Coal.

In accordance with the requirements set forth in “Air Pollution Prevention and Control Program for Beijing-Tianjin-Hebei and the Surrounding Areas in 2017”, the ports in the Bohai Rim will be prohibited from collecting and distributing the coal transported by diesel trucks after September 2017. By then, the coal transported by truck will return in a great measure to railway transportation. As a result, the cargo flows to Qinhuangdao Port, the main hub port of Datong-Qinhuangdao Railway, is expected to be further improved.

On 1 June 2017, Datong-Qinhuangdao Railway reduced the electrification surcharge for the electrification section of national railway under its management (using unified transportation price for national railway) from RMB0.012 per tonne per kilometer to RMB0.007 per tonne per kilometer, which further widened the advantage in railway transportation costs of Qinhuangdao Port, thereby further improving the competitive advantage of Qinhuangdao Port in comprehensive logistics costs.

### Metal ores business:

It is expected that the rigid demand from steel enterprises will ensure the import volume of iron ores in the second half of the year. The ports will continue to actively expand the business, provide quality services to customers, maintain good production organization in a careful manner and further enhance the system efficiency to ensure stable operation of port production.

# MANAGEMENT DISCUSSION AND ANALYSIS

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## Oil and liquefied chemicals business:

We will develop the cargo sources with existing equipment and facilities, endeavor to facilitate the commencement of utilization of supervisory storage tank, visit relevant cargo owners and the surrounding ports, conduct market research and reinforce our capacity in securing cargo transportation volume.

## Container business:

We will cooperate with railway and shipping companies to develop the market, further expand the cargo sources of “dry bulk & general cargoes to containers”, conduct market research, focus on the development of long distance hinterland cargoes, actively communicate and coordinate with the railway authority and customers in upstream and downstream and ensure the stable operation and increase in cargo volume of sea-rail intermodal transportation. Since Bohai Jinji is a joint venture of the Company and Tianjin Port Group, after Bohai Jinji receive 90% equity interest in Bohai Jinji Container, the transfer can bring forth the integration of the container business of the Group and Tianjin Port Group as well as promote the development of the Group’s container business by integrating the resources of both groups, optimizing location distribution and enhancing the efficient use of the ports without constructing new berths for containers.

## General and other cargoes business:

In addition to consolidating the existing cargo sources, we will also increase our marketing efforts, formulate innovative marketing strategies and continuously develop new cargo market to achieve stability and growth in cargo sources of our ports.

## (IV) USE OF PROCEEDS FROM THE GLOBAL OFFERING

The H Shares of the Company have been listed and traded on the Stock Exchange since 12 December 2013. After deducting related expenses, the net proceeds of the Company from the Global Offering amounted to approximately HK\$3,823 million. During the Reporting Period, the use of proceeds was in line with that disclosed in the Prospectus.

## (V) EVENTS AFTER THE REPORTING PERIOD

On 27 July 2017 (after trading hours), HPG and the Company entered into the Capital Increase Agreement of Hebei Port Group Finance Company Limited, pursuant to which HPG and the Company will make further capital contribution to Hebei Port Group Finance Company Limited in proportion to their existing equity holding i.e. 60% held by HPG and 40% held by the Company) in cash in RMB. The Company will make further capital contribution of RMB400 million to Hebei Port Group Finance Company Limited. Upon completion of the capital increase, the Company will have made capital contribution in the total sum of RMB600 million in HPG Finance and its equity holding in HPG Finance Limited will remain as 40%.

HPG is the controlling shareholder and connected person of the Company. As Hebei Port Group Finance Company Limited is a subsidiary of HPG and 60% of its equity is owned by HPG, Hebei Port Group Finance Company Limited is an associate of HPG and also a connected person of the Company. Such transaction constitutes a connected transaction under Chapter 14A of the Listing Rules. For details of the Capital Increase Agreement of Hebei Port Group Finance Company Limited, please refer to the Company’s announcement dated 27 July 2017.

On 16 August 2017, the A Shares of the Company were listed on the SSE. The Company issued 558,000,000 A Shares at RMB2.34 per share to the public, and converted 4,199,559,000 existing Domestic Shares into A Shares. Upon the A Share Issue, the total number of issued shares of the Company became 5,587,412,000 Shares (comprising 829,853,000 H Shares and 4,757,559,000 A Shares). The total proceeds from the A Share Issue amounted to RMB1,305,720,000 and the net proceeds (after deducting issue expenses of RMB65,117,100) amounted to RMB1,240,602,900.

## (VI) EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

Staff costs of the Group during the Reporting Period amounted to RMB1,155,883 thousand. Please refer to Note V-23 and V-29 to the financial statements for the details of the Group’s employees, remuneration policy and pension scheme.



# OTHER INFORMATION

## SHARE CAPITAL

As of 30 June 2017, the total issued share capital of the Company amounted to RMB5,029,412,000, which was divided into 5,029,412,000 Shares. On 16 August 2017, the Company conducted the initial public offering of 558,000,000 A Shares on the SSE and the existing 4,199,559,000 Domestic Shares were converted into A Shares. Upon the A Share Issue, the total issued share capital of the Company amounted to RMB5,587,412,000, which was divided into 5,587,412,000 Shares (comprising 829,853,000 H Shares and 4,757,559,000 A Shares), with a nominal value of RMB1.00 each.

Share capital as at 30 June 2017 was as follows:

Class of Shares	Number of Shares	Approximate percentage to total issued share capital of the Company
Domestic Shares	4,199,559,000	83.50%
H Shares	829,853,000	16.50%
<b>Total</b>	<b>5,029,412,000</b>	<b>100%</b>

Share capital as at 16 August 2017 was as follows:

Class of Shares	Number of Shares	Approximate percentage to total issued share capital of the Company
A Shares	4,757,559,000	85.15%
H Shares	829,853,000	14.85%
<b>Total</b>	<b>5,587,412,000</b>	<b>100%</b>

Details of changes in share capital of the Company during the Reporting Period are set out in of Note V-31 to the financial statements in this report.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN SHARES OF THE COMPANY

As at 30 June 2017, so far as the Directors and Supervisors of the Company are aware, other than the Directors, Supervisors and the senior management of the Company and their respective associates, the following persons had or were deemed to have an interest or short position in the Shares, underlying Shares and debentures which was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholders	Number of Shares held	Capacity in which the Shares were held	Class of Shares	Approximate percentage to the total number of relevant class of issued share capital of the Company	Approximate percentage to the total number of issued share capital of the Company	Long position/ short position
State-owned Assets Supervision & Administration Commission of the People's Government of Hebei Province	3,073,364,204 (note 1)	Interest of controlled corporation	Domestic Shares	73.18%	61.11% (note 4)	Long position
HPG	3,073,364,204 (note 1)	Beneficial owner	Domestic Shares	73.18%	61.11% (note 4)	Long position

## OTHER INFORMATION

Name of Shareholders	Number of Shares held	Capacity in which the Shares were held	Class of Shares	Approximate percentage to the total number of relevant class of issued share capital of the Company	Approximate percentage to the total number of issued share capital of the Company	Long position/ short position
Qinhuangdao Municipal People's Government State-owned Assets Supervision and Administration Commission	629,824,026	Beneficial owner	Domestic Shares	15.00%	12.52%	Long position
Hebei Construction & Investment Communications Investment Co., Ltd.	212,692,830	Beneficial owner	Domestic Shares	5.06%	4.23%	Long position
Fosun Holdings Limited	44,839,500 (note 2)	Interest of controlled corporation	H Shares	5.40%	0.89%	Long position
Fosun International Holdings Ltd.	44,839,500 (note 2)	Interest of controlled corporation	H Shares	5.40%	0.89%	Long position
Fosun International Limited	44,839,500 (note 2)	Interest of controlled corporation	H Shares	5.40%	0.89%	Long position
GUO Guangchang (郭廣昌)	44,839,500 (note 2)	Beneficial owner	H Shares	5.40%	0.89%	Long position
China Shipping (Group) Company	44,296,500 (note 3)	Interest of controlled corporation	H Shares	5.34%	0.88%	Long position
China Shipping (H.K.) Holdings Co., Ltd.	44,296,500 (note 3)	Interest of controlled corporation	H Shares	5.34%	0.88%	Long position
China Shipping Ports Development Co., Ltd.	44,296,500 (note 3)	Beneficial owner	H Shares	5.34%	0.88%	Long position

### Notes:

1. State-owned Assets Supervision & Administration Commission of the People's Government of Hebei Province is the controlling shareholder of HPG, therefore, was deemed to be interested in 3,073,364,204 Shares of the Company under the SFO;
2. Each of Mr. GUO Guangchang (郭廣昌) (being the direct controlling shareholder of Fosun International Holdings Ltd.), Fosun International Holdings Ltd. (being the direct controlling shareholder of Fosun Holdings Limited) and Fosun Holdings Limited (being the direct controlling shareholder of Fosun International Limited) was deemed to be interested in 44,839,500 Shares of the Company respectively under the SFO; and
3. Each of China Shipping (Group) Company (being the direct controlling shareholder of China Shipping (H.K.) Holdings Co., Ltd.) and China Shipping (H.K.) Holdings Co., Ltd. (being the direct controlling shareholder of China Shipping Ports Development Co., Ltd.) was deemed to be interested in 44,296,500 Shares of the Company respectively under the SFO.
4. HPG, the controlling shareholder of the Company, increased its shareholding in the Company by 23,821,000 Shares through Hebei Port Group International (Hong Kong) Co., Ltd., its wholly-owned subsidiary, during the period from 1 January 2017 to 30 June 2017. Its shareholding in the Company has increased by 28,964,500 Shares during the period from 15 June 2016 to the Reporting Period.

Save as disclosed above, as of 30 June 2017, to the best knowledge of the Directors and Supervisors of the Company, none of other persons (other than Directors, Supervisors and senior management of the Company and their respective associates) had, or was deemed to have, any interest or short position in Shares, underlying Shares and debentures of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

## OTHER INFORMATION

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### INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

To the best knowledge of the Directors of the Company, as of 30 June 2017, none of the Directors, Supervisors or chief executives of the Company and their respective associates had, or was deemed to have, any interest or short position in Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

During the Reporting Period, the Company or any of its subsidiaries did not purchase, sell or redeem any Shares of the Company.

### CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

#### Changes in Directors, Supervisors and senior management during the Reporting Period

On 28 February 2017, Mr. Tian Yunshan ("Mr. Tian") resigned from the positions as executive Director and general manager of the Company due to the change of his work commitment. Mr. Tian resigned as member of the remuneration and appraisal committee and strategy committee of the Company with effect from 28 February 2017.

In the meeting held on 15 March 2017, the Board appointed Mr. Yang Wensheng ("Mr. Yang") as the general manager of the Company, with a term of office from 15 March 2017.

Mr. Yang was appointed as executive Director of the Company in the 2016 annual general meeting held on 16 June 2017. The term for Mr. Yang's appointment as an executive Director shall terminate upon the expiry of the term of the current session of the Board. Mr. Yang shall not receive any remuneration from the Company for his executive directorship. On the same date, Mr. Yang was appointed as a member of the remuneration and appraisal committee and a member of the strategy committee of the Company.

#### Changes in Directors, Supervisors and senior management after the Reporting Period and up to the date of this report

There is no change in Directors, Supervisors and senior management after the Reporting Period and up to the date of this report.

#### Changes in the information of Directors and Supervisors

Saved as disclosed in this report, during the Reporting Period, there was no information of Directors and Supervisors shall be disclosed under the Rule 13.51B(1) of Listing Rules and there was no change in any disclosed information.



# OTHER INFORMATION

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## MATERIAL LITIGATION AND ARBITRATION

So far as the Directors are aware, the Company was not engaged in any material litigation, arbitration or claim, and no arbitration or claim of material importance was pending or threatened against the Company during the Reporting Period.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Save as disclosed herein, during the Reporting Period, so far as the Directors of the Company are aware, the Company has complied with the Corporate Governance Code and there has been no deviation from the provisions.

## COMPLIANCE WITH THE MODEL CODE

During the Reporting Period, the Company has adopted the Model Code as the code of conduct for securities transactions by the Directors and the Supervisors to regulate the securities transactions made by the Directors and Supervisors. Upon specific enquiries made to each Director and Supervisor by the Company, all the Directors and Supervisors confirmed that they have complied with the requirements under the provisions of the Model Code during the relevant period.

## INTERIM DIVIDENDS

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

## AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in accordance with the provisions of Corporate Governance Code. The Audit Committee has reviewed the unaudited interim financial report of the Group for the six months ended 30 June 2017.

# REVIEW REPORT

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Ernst & Young Hua Ming (2017) Zhuan Zi No. 61063699\_E09

To the Shareholders of Qinhuangdao Port Co., Ltd.:

We have reviewed the accompanying financial statements of Qinhuangdao Port Co., Ltd. and its subsidiaries, which comprise the consolidated and company balance sheets as at 30 June 2016, and the consolidated and company income statement, statement of changes in equity and statement of cash flows for the six months ended 30 June 2016, and notes to the financial statements (hereinafter referred to the "Interim Financial Statements"). Management of Qinhuangdao Port Co., Ltd. is responsible for the preparation of the Interim Financial Statements. Our responsibility is to issue a review report based on our review of the Interim Financial Statements.

We conducted our review in accordance with the Standards on Review Engagements for CPAs of China No. 2101 – Engagements to review financial statements, which requires that we plan and conduct the review to obtain limited assurance about whether the Interim Financial Statements are free from material misstatement. A review is limited primarily to enquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the abovementioned Interim Financial Statements are not prepared in accordance with the Accounting Standards for Business Enterprises No.32 – Interim Financial Report., and do not present fairly, in all material respects, the financial position, operating results and cash flows of Qinhuangdao Port Co., Ltd.

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: Meng Dong

Beijing, the People's Republic of China

Chinese Certified Public Accountant: Wang Tianqing

14 August 2017

# CONSOLIDATED BALANCE SHEET

30 June 2017

RMB

Assets	Note V	30 June 2017 (unaudited)	31 December 2016
<b>Current assets</b>			
Cash and Bank Balance	1	2,802,759,483.34	1,857,032,961.56
Bills receivables	2	64,801,279.09	90,586,781.68
Account receivables	3	151,184,765.15	150,073,233.50
Prepayments	4	8,403,728.25	11,598,283.84
Dividends receivable	5	88,172,048.94	–
Other receivables	6	99,334,363.98	34,203,954.23
Inventories	7	219,553,818.54	215,326,590.41
Other current assets	8	352,211,033.61	209,777,381.25
<b>Total current assets</b>		<b>3,786,420,520.90</b>	<b>2,568,599,186.47</b>
<b>Non-current assets</b>			
Available-for-sale financial assets	9	710,376,014.95	710,376,014.95
Long-term equity investments	10	1,928,074,574.06	1,543,221,888.47
Investment properties	11	6,063,850.00	6,137,950.00
Fixed assets	12	11,404,813,771.64	13,402,745,892.92
Construction in progress	13	6,045,389,055.41	5,830,993,955.38
Intangible assets	14	1,894,528,780.77	2,009,739,741.54
Long-term prepaid expenses	15	2,196,598.65	2,563,538.59
Deferred tax assets	16	144,779,419.20	164,567,852.82
Other non-current assets	18	126,399,372.74	51,740,649.66
<b>Total non-current assets</b>		<b>22,262,621,437.42</b>	<b>23,722,087,484.33</b>
<b>Total assets</b>		<b>26,049,041,958.32</b>	<b>26,290,686,670.80</b>



# CONSOLIDATED BALANCE SHEET (CONTINUED)

30 June 2017

RMB

Liabilities and shareholders' equity	Note V	30 June 2017 (unaudited)	31 December 2016
<b>Current liabilities</b>			
Short-terms borrowings	20	2,201,000,000.00	1,545,000,000.00
Account receivables	21	177,470,999.24	102,726,569.27
Deposits received	22	460,405,945.77	472,335,724.01
Employee benefits payable	23	202,085,603.30	85,000,711.31
Taxes payable	24	9,249,567.29	34,730,467.55
Interest payable	25	13,478,127.70	15,296,378.10
Dividends payable	26	3,788,643.11	608.34
Other payables	27	979,145,959.69	1,244,623,623.17
Non-current liabilities due within one year	28	407,977,164.00	1,056,586,108.28
<b>Total current liabilities</b>		<b>4,454,602,010.10</b>	4,556,300,190.03
<b>Non-current liabilities</b>			
Long-term borrowings	28	7,917,123,292.98	8,664,816,348.70
Long-term Employee benefits payable	29	53,550,866.49	71,807,543.84
Deferred income	30	329,285,935.41	332,110,009.53
<b>Total non-current liabilities</b>		<b>8,299,960,094.88</b>	9,068,733,902.07
<b>Total liabilities</b>		<b>12,754,562,104.98</b>	13,625,034,092.10
<b>Shareholder's equity</b>			
Share capital	31	5,029,412,000.00	5,029,412,000.00
Capital reserve	32	4,506,377,828.61	4,506,377,828.61
Other comprehensive income	47	3,291,534.17	4,623,646.56
Special reserve	33	30,736,056.61	18,615,022.77
Surplus reserve	34	1,044,974,250.76	1,044,974,250.76
Retained profit	35	1,449,726,165.26	832,687,475.08
<b>Total equity attributable to shareholders of the parent</b>		<b>12,064,517,835.41</b>	11,436,690,223.78
<b>Minority interests</b>		<b>1,229,962,017.93</b>	1,228,962,354.92
<b>Total shareholders' equity</b>		<b>13,294,479,853.34</b>	12,665,652,578.70
<b>Total liabilities and shareholders' equity</b>		<b>26,049,041,958.32</b>	26,290,686,670.80

The financial statement have been signed by:

Legal representative:

CAO Ziyu

Person in charge of  
business operation:

YANG Wensheng

Chief financial officer:

GUO Xikun

Head of accounting  
department:

XIE Hui

# CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2017

RMB

	Note V	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
Operating revenue	36	3,393,629,465.02	2,388,258,879.82
Less: Operating cost	36	2,098,966,001.33	1,798,020,796.73
Business tax and surcharges	37	48,606,875.40	11,246,414.50
Selling expenses		–	72,551.04
Administrative expenses	38	394,780,078.02	386,921,667.41
Financial cost	39	172,277,960.70	116,136,289.87
Asset impairment loss	40	7,451,574.82	(25,941,805.98)
Add: Investment income	41	82,368,645.43	67,183,408.49
Including: investment income from associates and joint ventures		58,013,552.45	60,302,892.05
Other income	42	47,613,120.49	–
Operating profits		801,528,740.67	168,986,374.74
Add: Non-operating income	43	1,816,081.11	17,637,717.11
Including: gain on disposal of non-current assets		255,748.32	237,851.68
Less: Non-operating expenses	44	7,266,081.05	2,874,553.14
Including: losses on disposal of non-current assets		6,581,203.31	352,751.44
Total profit		796,078,740.73	183,749,538.71
Less: Income tax expense	46	174,406,994.48	43,826,517.33
Net profit		621,671,746.25	139,923,021.38
Net profit attributable to shareholders of the parent		617,038,690.18	137,363,835.19
Minority interests		4,633,056.07	2,559,186.19
Other comprehensive income, net of tax			
Other comprehensive income attributable to shareholders of the parent, net of tax			
Other comprehensive income that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign currency denominated financial statements	47	(1,332,112.39)	843,737.34
Other comprehensive income attributable to minority shareholders, net of tax		–	–
Total comprehensive income		620,339,633.86	140,766,758.72
Including: Total comprehensive income attributable to shareholders of the parent		615,706,577.79	138,207,572.53
Total comprehensive income attributable to minority shareholders		4,633,056.07	2,559,186.19
Earnings per share			
Basic and diluted earnings per share	48	0.12	0.03

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

RMB

	Note V	Equity attributable to shareholders of the parent							Minority interests	Total shareholders' equity
		Share capital	Capital reserve	Other comprehensive	Special Income	Surplus reserve	Retained profits	Sub-total reserve		
I. Current period's opening balance		5,029,412,000.00	4,506,377,828.61	4,623,646.56	18,615,022.77	1,044,974,250.76	832,687,475.08	11,436,690,223.78	1,228,962,354.92	12,665,652,578.70
II. Changes during the period										
(i) Total comprehensive income										
1. Net profit		-	-	-	-	-	617,038,690.18	617,038,690.18	4,633,056.07	621,671,746.25
2. Other comprehensive income		-	-	(1,332,112.39)	-	-	-	(1,332,112.39)	-	(1,332,112.39)
(ii) Profit distribution										
1. Distribution to Shareholder	35	-	-	-	-	-	-	-	(3,788,190.94)	(3,788,190.94)
(iii) Special reserve										
1. Accrual		-	-	-	28,087,865.58	-	-	28,087,865.58	389,788.06	28,477,653.64
2. Usage		-	-	-	(15,966,831.74)	-	-	(15,966,831.74)	(234,990.18)	(16,201,821.92)
III. Current period's closing balance		5,029,412,000.00	4,506,377,828.61	3,291,534.17	30,736,056.61	1,044,974,250.76	1,449,726,165.26	12,064,517,835.41	1,229,962,017.93	13,294,479,853.34



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2017

RMB

	Equity attributable to shareholders of the parent									Total shareholders' equity
	Note V	Share capital	Capital reserve	Other comprehensive	Special Income	Surplus reserve	Retained profits	Sub-total reserve	Minority interests	
I. Current period's opening balance		5,029,412,000.00	4,506,903,112.81	1,788,437.76	10,884,608.51	1,015,722,853.98	1,251,321,607.34	11,816,032,620.40	1,224,866,008.75	13,040,898,629.15
II. Changes during the period										
(i) Total comprehensive income										
1. Net profit		-	-	-	-	-	137,363,835.19	137,363,835.19	2,559,186.19	139,923,021.38
2. Other comprehensive income		-	-	843,737.34	-	-	-	843,737.34	-	843,737.34
(ii) Profit distribution										
1. Distribution to Shareholder	35	-	-	-	-	-	(754,411,800.00)	(754,411,800.00)	-	(754,411,800.00)
(iii) Special reserve										
1. Accrual		-	-	-	36,762,141.13	-	-	36,762,141.13	375,970.50	37,138,111.63
2. Usage		-	-	-	(25,747,466.41)	-	-	(25,747,466.41)	(138,769.71)	(25,886,236.12)
III. Current period's closing balance		5,029,412,000.00	4,506,903,112.81	2,632,175.10	21,899,283.23	1,015,722,853.98	634,273,642.53	11,210,843,067.65	1,227,662,395.73	12,438,505,463.38

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

RMB

	Note V	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
<b>I. Cash flows from operating activities</b>			
Cash received from sale of goods or rendering of services		3,583,831,304.29	2,425,734,168.67
Cash received relating to other operating activities		49,719,390.97	17,539,163.32
Sub-total of cash inflows		3,633,550,695.26	2,443,273,331.99
Cash paid for goods and services		531,099,467.22	433,546,662.91
Cash paid to and on behalf of employees		1,057,298,562.46	1,001,655,487.97
Cash paid for all taxes		347,505,860.93	220,361,610.81
Cash paid relating to other operating activities		199,420,092.45	211,633,613.83
Sub-total of cash outflows		2,135,323,983.06	1,867,197,375.52
Net cash flows from operating activities	49	1,498,226,712.20	576,075,956.47
<b>II. Cash flows from investing activities</b>			
Cash received from return of investment		911,899,680.00	1,089,660,540.00
Cash received from investment income		1,475,785.40	3,628,241.44
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		53,661,242.28	269,108.41
Cash received from disposal of subsidiaries		502,800,771.43	–
Cash received relating to other investing activities		14,852,700.00	–
Sub-total of cash inflows		1,484,690,179.11	1,093,557,889.85
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		642,687,180.28	200,915,272.17
Cash paid for investments		905,845,800.00	284,400,000.00
Sub-total of cash outflows		1,548,532,980.28	485,315,272.17
Net cash flows from investing activities		(63,842,801.17)	608,242,617.68

# CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2017

RMB

Note V	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
III. Cash flows from financing activities		
Cash received from borrowings	1,503,954,784.48	827,669,233.00
Sub-total of cash inflows	1,503,954,784.48	827,669,233.00
Cash paid for repayments of borrowings	1,253,356,784.48	754,344,726.78
Cash paid for distribution of dividends or profits and for interest expenses	258,236,634.63	290,440,224.87
Including: dividends paid to minority shareholders by subsidiaries	–	–
Cash paid relating to other financing activities	1,000,000.00	1,000,000.00
Sub-total of cash outflows	1,512,593,419.11	1,045,784,951.65
Net cash flows from financing activities	(8,638,634.63)	(218,115,718.65)
IV. Effect of foreign exchange rate changes on cash and Cash equivalents	(7,055,074.62)	4,714,345.93
V. Net increase in cash and cash equivalents	1,418,690,201.78	970,917,201.43
Add: Balance of cash and cash equivalents at the beginning of the period	1,149,805,681.56	1,376,457,026.65
VI. Balance of cash and cash equivalents at the end of the period	49 2,568,495,883.34	2,347,374,228.08



# COMPANY BALANCE SHEET

30 June 2017

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Assets	Note XIV	30 June 2017 (unaudited)	31 December 2016
<b>Current assets</b>			
Cash and bank balances		1,456,608,648.62	839,733,284.63
Bills receivable		44,419,300.00	86,284,633.00
Accounts receivable	1	131,058,483.53	123,374,821.76
Prepayments		5,921,997.65	4,865,150.66
Dividends receivable		89,001,143.20	–
Other receivables	2	2,108,918.85	4,427,790.55
Inventories		179,310,965.92	180,890,398.89
Other current assets		44,330,606.85	28,568,552.92
<b>Total current assets</b>		<b>1,952,760,064.62</b>	<b>1,268,144,632.41</b>
<b>Non-current assets</b>			
Available-for-sale financial assets	3	562,752,357.95	562,752,357.95
Long-term equity investments	4	7,512,531,347.52	7,179,556,343.29
Investment properties		6,063,850.00	6,137,950.00
Fixed assets		4,705,161,026.27	4,969,636,812.10
Construction in progress		214,021,713.62	145,241,792.26
Intangible assets		392,634,808.17	398,118,095.69
Deferred tax assets		116,827,707.39	124,258,205.30
Other non-current assets		76,280,666.24	51,580,621.66
<b>Total non-current assets</b>		<b>13,586,273,477.16</b>	<b>13,437,282,178.25</b>
<b>Total assets</b>		<b>15,539,033,541.78</b>	<b>14,705,426,810.66</b>

# COMPANY BALANCE SHEET (CONTINUED)

30 June 2017

RMB

Liabilities and shareholders' equity	30 June 2017 (unaudited)	31 December 2016
<b>Current liabilities</b>		
Short-term borrowings	2,200,000,000.00	1,500,000,000.00
Accounts payable	133,813,109.16	61,475,406.02
Deposits received	399,516,347.31	426,161,404.76
Employee benefits payable	194,529,966.35	81,609,086.49
Taxes payable	5,128,346.54	3,258,146.76
Interest payable	2,359,875.00	2,538,937.50
Dividends payable	452.17	608.34
Other payables	249,213,147.11	220,178,347.55
Non-current liabilities due within one year	-	570,000,000.00
<b>Total current liabilities</b>	<b>3,184,561,243.64</b>	<b>2,865,221,937.42</b>
<b>Non-current liabilities</b>		
Long-term Employee benefits payable	53,550,866.49	71,807,543.84
Deferred income	329,285,935.41	332,110,009.53
<b>Total non-current liabilities</b>	<b>382,836,801.90</b>	<b>403,917,553.37</b>
<b>Total liabilities</b>	<b>3,567,398,045.54</b>	<b>3,269,139,490.79</b>
<b>Shareholders' equity</b>		
Share capital	5,029,412,000.00	5,029,412,000.00
Capital reserve	4,500,194,317.96	4,500,194,317.96
Special reserve	24,605,746.14	17,813,244.99
Surplus reserve	1,044,835,905.99	1,044,835,905.99
Retained profits	1,372,587,526.15	844,031,850.93
<b>Total shareholders' equity</b>	<b>11,971,635,496.24</b>	<b>11,436,287,319.87</b>
<b>Total liabilities and shareholders' equity</b>	<b>15,539,033,541.78</b>	<b>14,705,426,810.66</b>

# COMPANY INCOME STATEMENT

For the six months ended 30 June 2017

RMB

	Note XIV	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
Revenue	5	2,588,938,027.55	1,873,978,257.24
Less: Operating costs	5	1,575,648,553.32	1,450,056,153.73
Tax and surcharges		42,187,986.43	8,564,893.96
Administrative expenses		340,751,391.87	348,419,675.77
Financial costs		43,892,165.28	32,814,282.26
Asset impairment loss		4,366,979.89	(26,335,588.42)
Add: Investment income	6	60,982,814.29	65,304,263.05
Including: investment income from associates and joint ventures		58,462,814.29	62,904,263.05
Other income		46,721,912.97	–
Operating profit		689,795,678.02	125,763,102.99
Add: Non-operating income		336,910.12	17,120,983.13
Including: gain on disposal of non-current assets		255,748.32	237,851.68
Less: Non-operating expenses		2,853,940.47	2,874,552.74
Including: losses on disposal of non-current assets		2,328,504.68	352,751.44
Total profit		687,278,647.67	140,009,533.38
Less: Income tax expenses		158,722,972.45	29,262,749.68
Net profit		528,555,675.22	110,746,783.70
Other comprehensive income, net of tax		–	–
Total comprehensive income		528,555,675.22	110,746,783.70



# COMPANY STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017 and the six months ended 30 June 2016

RMB

## For the six months ended 30 June 2017 (unaudited)

	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained profits	Total shareholders' equity
I. Current period's opening balance	5,029,412,000.00	4,500,194,317.96	17,813,244.99	1,044,835,905.99	844,031,850.93	11,436,287,319.87
II. Changes during the period						
(I) Total comprehensive income	-	-	-	-	528,555,675.22	528,555,675.22
(II) Profit distribution						
1. Distribution to Shareholders	-	-	-	-	-	-
(III) Special reserve						
1. Accrual	-	-	21,126,900.52	-	-	21,126,900.52
2. Usage	-	-	(14,334,399.37)	-	-	(14,334,399.37)
III. Current period's closing balance	5,029,412,000.00	4,500,194,317.96	24,605,746.14	1,044,835,905.99	1,372,587,526.15	11,971,635,496.24

## For the six months ended 30 June 2016 (unaudited)

	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained profits	Total shareholders' equity
I. Current period's opening balance	5,029,412,000.00	4,500,194,317.96	10,696,105.01	1,015,584,509.21	1,335,181,079.87	11,891,068,012.05
II. Changes during the period						
(I) Total comprehensive income	-	-	-	-	110,746,783.70	110,746,783.70
(II) Profit distribution						
1. Distribution to Shareholders	-	-	-	-	(754,411,800.00)	(754,411,800.00)
(III) Special reserve						
1. Accrual	-	-	31,466,313.49	-	-	31,466,313.49
2. Usage	-	-	(24,151,446.60)	-	-	(24,151,446.60)
III. Current period's closing balance	5,029,412,000.00	4,500,194,317.96	18,010,971.90	1,015,584,509.21	691,516,063.57	11,254,717,862.64

# COMPANY STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

RMB

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
I. Cash flows from operating activities		
Cash received from sale of goods or rendering of services	2,751,227,608.72	1,885,120,866.04
Cash received relating to other operating activities	43,970,960.05	12,359,988.28
Sub-total of cash inflows	2,795,198,568.77	1,897,480,854.32
Cash paid for goods and services	323,899,634.42	309,291,491.14
Cash paid to and on behalf of employees	955,096,428.12	913,821,341.53
Cash paid for all taxes	292,977,992.45	193,634,402.96
Cash paid relating to other operating activities	189,259,505.39	185,009,402.38
Sub-total of cash outflows	1,761,233,560.38	1,601,756,638.01
Net cash flows from operating activities	1,033,965,008.39	295,724,216.31
II. Cash flows from investing activities		
Cash received from return of investment	379,887,680.00	825,500,540.00
Cash received from return of investment	-	2,400,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	367,263.86	269,108.41
Cash received relating to other investing activities	14,852,700.00	-
Sub-total of cash inflows	395,107,643.86	828,169,648.41
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	205,979,230.95	40,514,971.24
Cash paid for investments	300,000,000.00	-
Sub-total of cash outflows	505,979,230.95	40,514,971.24
Net cash flows from investing activities	(110,871,587.09)	787,654,677.17

# COMPANY STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2017

RMB

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
III. Cash flows from financing activities		
Cash received from borrowings	800,000,000.00	490,000,000.00
Sub-total of cash inflows	800,000,000.00	490,000,000.00
Cash paid for repayments of borrowings	670,000,000.00	628,000,000.00
Cash paid for distribution of dividends or profits and for interest expenses	49,379,781.95	47,430,663.91
Cash paid relating to other financing activities	1,000,000.00	1,000,000.00
Sub-total of cash outflows	720,379,781.95	676,430,663.91
Net cash flows from financing activities	79,620,218.05	(186,430,663.91)
IV. Effect of foreign exchange rate changes on cash and cash equivalents	(5,950,595.36)	3,835,106.34
V. Net increase in cash and cash equivalents	996,763,043.99	900,783,335.91
Add: Balance of cash and cash equivalents at the beginning of the period	289,518,004.63	398,793,748.77
VI. Balance of cash and cash equivalents at the end of the period	1,286,281,048.62	1,299,577,084.68



# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## I. GENERAL INFORMATION OF THE GROUP

Qinhuangdao Port Co., Ltd.\* (the “Company”) is a joint stock company with limited liability incorporated in Hebei province, the People’s Republic of China on 31 March 2008. The H Shares of the Company were listed on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) on 12 December 2013. The office address and headquarter of the Company is located at 35 Haibin Road, Qinhuangdao, Hebei Province.

The main operating activities of the Company and its subsidiaries (collectively referred to as the “Group”) are: provision of terminal facilities for vessels and provision of port services such as loading and discharging, stacking, warehousing, transportation, container stacking and less than container load services; other port related services such as tugboat service, lease and repair of harbour facilities, equipment and machinery, cargo weighing, freight forwarding, port tallying and provision of power and electrical engineering services; and import and export services of goods. The Group’s port services mainly handle coal and metal ores as well as other types of cargo including oil and liquefied chemicals and general cargo and containers.

The parent and ultimate controlling shareholder of the Company is Hebei Port Group Co., Ltd. (“HPG”), which was established in the People’s Republic of China.

The financial statement has been approved by the board of directors of the Company by resolutions on 14 August 2017.

The consolidation scope of these consolidated financial statements is determined on the basis of control, and its changes during the accounting period for the six months ended 30 June 2017 is disclosed in Note VI. Changes in the Consolidation Scope.

## II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These interim financial statements have been prepared in accordance with “Accounting Standards for Business Enterprises No. 32 – Interim Financial Reporting” issued by the Ministry of Finance, thus they do not include all the information and disclosures in the audited financial statements for the year ended 2016. Therefore, these interim financial statements should be read together with the financial statements of the Group for the year ended 2016 prepared pursuant to the accounting standards for business enterprises.

As of 30 June 2017, the Group’s current liabilities amounted to approximately RMB668 million. In preparing the financial statements, the management have considered the Group’s sources of liquidity, and believe that adequate funding is available to fulfil the Group’s debt obligations and capital expenditure requirements. Accordingly, the financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

These financial statements have been prepared under the historical cost convention. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant rules.

# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group adopts specific accounting policies and accounting estimates according to the actual production and management features, which include provision for bad debt of receivables, accounting method for inventories, provision for fixed assets depreciation and intangible assets amortization.

### 1. Statement of Compliance with Accounting Standards for Business Enterprises

These financial statements are prepared in accordance with the Accounting Standards for Business Enterprises and present fairly and fully the financial position of the Company and the Group as at 30 June 2017 and their financial performance and cash flows for the accounting period for the six months ended 30 June 2017.

### 2. Accounting Period

The accounting year for the Group is from 1 January to 31 December of each calendar year while its accounting period for these interim financial statements is from 1 January to 30 June.

### 3. Functional Currency

The Group's reporting and presentation currency is Renminbi ("RMB"). Unless otherwise stated, the unit of the currency is RMB yuan.

The reporting currencies of the subsidiaries of the Group operating overseas are subject to their respective principal economic environment, and will be denominated in RMB for the preparation of the financial statements.

# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4. Business Combinations

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations are classified into business combinations under common control and business combinations not under common control.

#### Business combinations under common control

A business combination under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the merging party, while that other entity participating in the combination is the merged party. The combination date is the date on which the merging party effectively obtains control of the merged party.

Assets and liabilities (including goodwill arising from the acquisition of the merged party by the ultimate controller) that are obtained by the merged party in a business combination under common control shall be accounted for based on their carrying amounts in the financial statements of the ultimate controller at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to share premium under capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

#### Business combinations not under common control

A business combination not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. For a business combination not under common control, the party that, on the acquisition date, obtains control of another entity participating in the combination is the acquirer, while that other entity participating in the combination is the acquiree. Acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the acquisition date.

Where the aggregate of the fair value of the consideration paid (or the fair value of the equity securities issued) and fair value of equity interest in the acquiree held before the acquisition date exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognised as goodwill. Goodwill is subsequently measured at cost less any accumulated impairment losses. Where the aggregate of the fair value of the consideration paid (or the fair value of the equity securities issued) and fair value of equity interest in the acquiree held before the acquisition date is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, reassessment of the measurement of these items is conducted first, if the sum of the fair value of this consideration and other items mentioned above is still lower than the fair value of the net assets acquired, the difference is recognised in profit or loss for the current period.



# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 5. Consolidated Financial Statements

The consolidation scope of consolidated financial statements is determined on the basis of control, including the financial statements for the accounting period for the six months ended 30 June 2017 of the Company and all of its subsidiaries. A subsidiary is an entity (including an enterprise, a separable part of an investee, a structural body controlled by the Company, etc.) that is controlled by the Company.

In preparation of consolidated financial statements, the subsidiaries use the same accounting year and accounting policies as those of the Company. All assets, liabilities, interests, income, fees and cash flows resulting from intra-group transactions are eliminated on consolidation in full.

Where the amount of losses for the current period attributed to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess amount is allocated against minority interests.

For subsidiaries acquired through a business combination not under common control, the operating results and cash flows of the acquiree are included in the consolidated financial statements from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. In preparing consolidated financial statements, adjustments shall be made to the subsidiaries' financial statements based on the fair values of the identifiable assets, liabilities and contingent liabilities at the acquisition date.

For subsidiaries acquired through a business combination under common control, the operating results and cash flows of the acquiree are included in the consolidated financial statements from the beginning of the combination year. In preparing consolidated financial statements, adjustments shall be made to related items of prior year's financial statements, as if the reporting entities after the combination had existed from the date when the combining entities first came under control of the ultimate controlling party.

Where change in relevant facts and conditions lead to the change in one or more control elements, the Group will re-evaluate its control over the investee.

Change in non-controlling interests that does not result in the loss of control over the subsidiary is accounted for as an equity transaction.

### 6. Classifications of Joint Arrangement and Joint Operations

Joint arrangement is classified as joint operations and joint ventures. Joint operation refers to the joint arrangement which the joint venture parties are entitled to the underlying assets of the relevant arrangement and assumed liabilities of the joint arrangements. Joint venture refers to the joint arrangement which the joint venture party is only entitled to the right of the net assets of the arrangements.

The joint venture parties recognise in relation to its interest in a joint operation: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; its expenses, including its share of any expenses incurred jointly.

# NOTES TO FINANCIAL STATEMENTS

30 June 2017

RMB

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## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 7. Cash and Cash Equivalents

Cash comprises the Group's cash on hand and deposits that can be readily withdrawn on demand for payment purposes. Cash equivalents are short-term, highly liquid investments held by the Group, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### 8. Foreign Currency Transactions and Translation of the Financial Statements Prepared in Foreign Currencies

The Group translates the amounts of foreign currency transactions occurred into its functional currency.

Foreign currency transactions are recorded on initial recognition, in their functional currencies, by applying to the foreign currency amounts at the spot exchange rates at the transaction dates. At the balance sheet date, foreign currency monetary items are translated using the spot exchange rates at the balance sheet date. All the resulting exchange differences are taken to profit or loss for the current period, except for those relating to foreign currency borrowings specifically for acquisition and construction of qualifying assets, which are capitalised in accordance with the principle of capitalisation of borrowing costs. Non-monetary foreign currency items measured at historical cost shall still be translated at the spot exchange rates prevailing on the transaction dates, while the amounts denominated in the functional currencies do not change. Non-monetary foreign currency items measured at fair value are translated at the spot exchange rates prevailing at the date on which the fair values are determined. The exchange differences thus resulted are recognised in profit or loss or as other comprehensive income for the current period, depending on the nature of the non-monetary item.

For foreign operations, the Group translates all amounts of functional currencies into RMB for the preparation of the financial statements. For assets and liabilities in the balance sheet, spot exchange rates at the balance sheet date are used for translation, while, for shareholder's equity, spot exchange rates prevailing on the transaction dates are adopted for items other than "undistributed profit". For items of income and expenses in the income statement, spot exchange rates prevailing on the transaction dates are adopted. Translation differences of functional currencies resulting from the translations mentioned above are recognised as other comprehensive income. For the disposal of foreign operations, other comprehensive incomes relating to foreign operations transfer to profit or loss for the current period for disposal, subject to the ratio of disposal.

Foreign currency cash flows and cash flows of overseas subsidiaries are translated using the average exchange rate for the period during which the cash flows occur. The effect of exchange rate changes on cash is separately presented as an adjustment item in the statement of cash flows.

# NOTES TO FINANCIAL STATEMENTS

30 June 2017

RMB

## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 9. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### Recognition and derecognition of financial instruments

The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument.

The Group derecognises and writes off a financial asset (or part of a financial asset, or part of a group of similar financial assets) from its account and balance sheet when the following conditions are met:

- (1) the rights to receive cash flows from the asset have expired;
- (2) the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the underlying obligation of a financial liability has been discharged or cancelled or has expired, the financial liability is derecognised. If an existing financial liability is replaced by the same creditor with a new financial liability that has substantially different terms, or if the terms of an existing financial liability are substantially revised, such replacement or revision is accounted for as the derecognition of the original liability and the recognition of a new liability, and the resulting difference is recognised in profit or loss for the current period.

Regular way purchases or sales of financial assets are recognised and derecognised on the trade date. Regular way purchases or sales of financial assets mean that the financial assets are received or delivered under the terms of a contract within a period as specified by regulations or conventions in the marketplace. Trade date is the date that the Group commits to purchase or sell the asset.

#### Classification and measurement of financial assets

Financial assets are, on initial recognition, classified into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets and derivatives designated as effective hedging instruments. A financial asset is recognised initially at fair value. In the case of financial assets at fair value through profit or loss, relevant transaction costs are directly charged to profit or loss for the current period; transaction costs relating to financial assets of other categories are included in the amount initially recognised.



# NOTES TO FINANCIAL STATEMENTS

30 June 2017

RMB

## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 9. Financial Instruments (Continued)

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

The subsequent measurement of financial assets depends on its category as follows:

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss for the current period. A financial asset held for trading is the financial asset that meets one of the following conditions: the financial asset is acquired for the purpose of selling in a short term; the financial asset is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits; the financial asset is a derivative, except for a derivative that is designated as an effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured. For such kind of financial assets, fair values are adopted for subsequent measurement. All the realised or unrealised gains or losses on these financial assets are recognised in profit or loss for the current period.

Dividend income or interest income related to financial assets at fair value through profit or loss is credited to profit or loss for the current period.

##### *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity date that an entity has the positive intention and ability to hold to maturity. Such kind of financial assets are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from amortisation or impairment and derecognition are recognised in profit or loss for the current period.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such kind of financial assets are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from amortization or impairment are recognised in profit or loss for the current period.

##### *Available-for-sale financial assets*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as any of the above categories at initial recognition. After initial recognition, available-for-sale financial assets are measured at fair value. The discount or premium is amortised using the effective interest method and recognised as interest income or expense. A gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognised as other comprehensive income, except that impairment losses and foreign exchange gains or losses resulted from monetary financial assets are recognised as profit or loss for the current period, until the financial asset is derecognised or determined to be impaired, at which time the accumulated gain or loss previously recognised is transferred to profit or loss for the current period. Dividends or interest income relating to an available-for-sale financial asset are recognised in profit or loss for the current period.

Investments in equity instruments without a quoted price from an active market and whose fair value cannot be reliably measured, are carried at cost.

# NOTES TO FINANCIAL STATEMENTS

30 June 2017

RMB

## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 9. Financial Instruments (Continued)

#### Classification and measurement of financial liabilities

The Group's financial liabilities are, on initial recognition, classified into the following categories: financial liabilities at fair value through profit or loss, other financial liabilities and derivatives designated as effective hedging instruments. For financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss for the current period, and transaction costs relating to other financial liabilities are included in the amount initially recognized.

The subsequent measurement of financial liabilities depends on its category as follows:

#### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated upon initial recognition at fair value through profit or loss. A financial liability held for trading is the financial liability that meets one of the following conditions: the financial liability is assumed for the purpose of repurchasing it in a short term; the financial liability is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits; the financial liability is a derivative, except for a derivative that is designated as an effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured. For such kind of financial liabilities, fair values are adopted for subsequent measurement. All realised or unrealised gains or losses on these financial liabilities are recognised in profit or loss for the current period.

#### *Other financial liabilities*

After initial recognition, such kind of financial liabilities are measured at amortised cost by using the effective interest method.

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied: the Group has a legal right to set off the recognised amounts and the legal right is currently enforceable; the Group intends either to settle on a net basis, or to realise the financial assets and settle the financial liabilities simultaneously.

#### Impairment of financial assets

The Group assesses the carrying amount of every financial asset at the balance sheet date. If there is objective evidence indicating a financial asset may be impaired, a provision is provided for the impairment. Objective evidence that a financial asset is impaired is one or more events that occur after the initial recognition of the financial asset and have an impact (which can be reliably estimated) on the expected future cash flows of the financial asset. Objective evidence that a financial asset is impaired includes: significant financial difficulty of the issuer or obligor; a breach of contract by the obligor, such as a default or delinquency in interest or principal payments; a higher probability that the obligor will enter bankruptcy or other financial reorganisation; and observable data indicating that there is a measurable decrease in the estimated future cash flows.

# NOTES TO FINANCIAL STATEMENTS

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## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 9. Financial Instruments (Continued)

#### Impairment of financial assets (Continued)

##### *Financial assets carried at amortised cost*

If impairment on a financial asset has incurred, the carrying amount of the asset is reduced through an allowance amount to the present value of expected future cash flows (excluding future credit losses that have not been incurred). Impairment is recognised in profit or loss for the current period. The present value of expected future cash flows is discounted at the financial asset's original effective interest rate (i.e., effective interest rate computed on initial recognition) and includes the value of any related collateral. Subsequent to the Group's recognition of impairment loss on a financial asset carried at amortised cost, the interest income is measured by applying the discounting rate in the future cash flows estimation when measuring the impairment loss.

For a financial asset that is individually significant, the asset is individually assessed for impairment, and the amount of impairment is recognised in profit or loss for the current period if there is objective evidence of impairment. For a financial asset that is not individually significant, it is individually assessed for impairment. If no objective evidence of impairment incurs for an individually assessed financial asset (whether the financial asset is individually significant or not individually significant), it is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Assets for which an impairment loss is individually recognised is not included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

If, subsequent to the Group's recognition of an impairment loss on a financial asset carried at amortised cost, there is objective evidence of a recovery in value of the financial asset and the recovery can be objectively related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and recognised in profit or loss for the current period. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been at the date of reversal had the impairment loss not been provided for.

##### *Available-for-sale financial assets*

If there is objective evidence that an available-for-sale financial asset is impaired, the accumulated losses arising from decline in fair value previously recognised in other comprehensive income are removed and recognised in profit or loss for the current period. The accumulated losses that removed from other comprehensive income are the difference between the initial acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on the financial asset previously recognised in profit or loss.

If, after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed with the amount of the reversal recognised in profit or loss for the current period.

##### *Financial assets carried at cost*

If there is objective evidence that such an asset is impaired, the difference between its carrying amount and the present value of expected future cash flows which are discounted at the current market interest rate is recognised as an impairment loss in profit or loss for the current period. Once an impairment loss is recognised, it is not reversed.

# NOTES TO FINANCIAL STATEMENTS

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## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 9. Financial Instruments (Continued)

#### Transfers of financial assets

If the Group transfers substantially all the risks and rewards of ownership of the financial asset, the Group derecognises the financial asset; if the Group retains substantially all the risks and rewards of ownership of the financial asset, the Group does not derecognise the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it accounts for the transactions as follows: if the Group has not retained control, it derecognises the financial asset and recognises any resulting assets or liabilities; if the Group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability.

When the entity's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the entity's continuing involvement is the lower of the carrying amount of the asset and finance guarantee amount. The finance guarantee amount refers to the maximum amount of the consideration received that the entity could be required to repay.

### 10. Receivables

#### Receivables that are individually significant and are provided for bad debts on individual basis

As at the balance sheet date, accounts receivable and other receivables greater than RMB10 million are considered as individually significant and are subject to separate impairment assessment. If there is objective evidence that an impairment loss has been incurred, an impairment loss is recognised and a bad debt provision is made based on the shortfall of the present value of estimated future cash flows as compared to the carrying amount of the receivables.

#### Receivables for which provision of bad debts made by portfolio of credit risk characteristics

The Group determines the receivables group based on the aging as the credit risk characteristics. The provisions for bad debts of accounts receivable and other receivables are recorded based on the aging analysis and the accrual percentages are stated as follows:

	Accounts receivable Percentage of provision(%)	Other receivables Percentage of provision(%)
Within 1 year	5	5
1 to 2 years	10	10
2 to 3 years	30	30
Over 3 years	100	100



# NOTES TO FINANCIAL STATEMENTS

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## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 10. Receivables (Continued)

#### Receivables that are individually insignificant but are provided for bad debts on individual basis

As at the balance sheet date, accounts receivable and other receivables falling below RMB10 million but with objective evidence that an impairment loss may have been incurred, are individually assessed for impairment loss. The impairment loss is recognised and bad debt provision is made based on the difference between the present value of future cash flows and the carrying amount of the receivables.

### 11. Inventories

Inventories include raw materials, fuels, spare parts, low-cost consumables, finished goods.

Inventories are initially carried at the actual cost. Cost of inventories comprises all costs of purchase, costs of conversion and other costs. The actual cost of inventories transferred out is determined by using the weighted average method. Low-cost consumables and spare parts are amortised by using one-off amortisation method.

The Group adopts perpetual inventory system.

At the balance sheet date, inventories are stated at the lower of cost and net realisable value. If the cost of inventories is higher than the net realisable value, a provision for decline in value of inventories is recognised in profit or loss for the current period. If factors that previously resulted in the provision for decline in value of inventories no longer exist and result in the net realisable value higher than their carrying amount, the amount of the write-down is reversed to the extent of the amount of the provision for the inventories and is recognised in profit or loss for the current period.

Net realisable value is the estimated selling price in the ordinary course of business deducted by the estimated costs to completion, the estimated selling expenses and the related taxes. Provision is considered on a category basis for inventories in large quantity and with relatively low unit prices and on an individual basis for all other inventories.

# NOTES TO FINANCIAL STATEMENTS

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## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 12. Long-term equity investments

Long-term equity investments include equity investments in subsidiaries, joint ventures and associates.

Long-term equity investments were initially recorded at initial investment cost on acquisition. For long-term equity investments acquired through the business combination of entities under common control, the initial investment cost shall be the share of carrying value of the owners' equity of the merged party at the date of combination as stated in the consolidated financial statements of the ultimate controlling party. Any difference between the initial investment cost and the carrying value of the consideration for the combination shall be dealt with by adjusting the capital reserve (if the capital reserve is insufficient for setting off the difference, such difference shall be further set off against retained profits). Upon disposal of the investment, other comprehensive income prior to the date of combination shall be dealt with on the same basis as if the relevant assets or liabilities were disposed of directly by the investee. Shareholders' equity recognised as a result of changes in shareholders' equity other than the net profits or losses, other comprehensive income and profit allocation of the investee shall be transferred to current profit and loss upon disposal of the investment. Items which remain long-term equity investments after the disposal shall be accounted for on a pro-rata basis, while items reclassified as financial instruments following the disposal shall be accounted for in full. For long-term equity investments acquired through the business combination of entities not under common control, the initial investment cost shall be the cost of combination (for business combinations of entities not under common control achieved in stages through multiple transactions, the initial investment cost shall be the sum of the carrying value of the equity investment in the acquired party held prior to the date of acquisition and new investment cost incurred as at the date of acquisition). The cost of combination shall be the sum of assets contributed by the acquiring party, liabilities incurred or assumed by the acquiring party and the fair value of equity securities issued. Upon disposal of the investment, other comprehensive income recognised under the equity method held prior to the date of acquisition shall be dealt with on the same basis as if the relevant assets or liabilities were disposed of directly by the investee. Shareholders' equity recognised as a result of changes in shareholders' equity other than the net profits or losses, other comprehensive income and profit allocation of the investee shall be transferred to current profit and loss upon disposal of the investment. Items which remain long-term equity investments after the disposal shall be accounted for on a pro-rata basis, while items reclassified as financial instruments following the disposal shall be accounted for in full. The accumulated fair value change of equity investments held prior to the date of acquisition and included in the other comprehensive income as financial instruments shall be transferred in full to current profit and loss upon the change to cost accounting. The initial investment cost of long-term equity investments other than those acquired through business combination shall be recognized in accordance with the following: for those acquired by way of cash payments, the initial investment cost shall be the consideration actually paid plus expenses, tax amounts and other necessary outgoings directly related to the acquisition of the long-term equity investments; for those acquired by way of issuance of equity securities, the initial investment cost shall be the fair value of the equity securities issued; for those acquired by the swap of non-monetary assets, initial investment cost is determined based on Accounting Standard for Business Enterprises No. 7 – Swap of Non-monetary Assets.

For a long-term equity investment where the Company can exercise control over the investee, the Company uses the cost accounting method in the Company's financial statements. Control refers to having the power over the investee, the entitlement to variable returns through the participation in the relevant activities of the investee, and the ability to affect the amount of returns by using its power over the investee.

Under the cost method, the long-term equity investment is measured at its initial investment cost. For addition or reduction of investments, the cost of long-term equity investments is adjusted. Cash dividends or profits declared to be distributed by the investee should be recognised as investment income in the current period.

# NOTES TO FINANCIAL STATEMENTS

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## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 12. Long-term equity investments (Continued)

The equity method is adopted in accounting for long-term equity investments when the Group holds joint control, or exercises significant influence on the investee. Joint control is the relevant agreed sharing of control over an arrangement, and relevant activities of such arrangement shall be decided upon the unanimous consent of the parties sharing control. Significant influence is the power to participate in decision making in the financial and operating policies of the investee but is not the power to control or joint control with other parties over those policies.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investing enterprise's interest in the fair values of the investee's identifiable net assets at the acquisition date, such excess is included in the initial investment cost of the long-term equity investment. Where the initial investment cost is less than the investing enterprise's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference is charged to profit or loss for the current period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognises, upon acquisition of the long-term equity investment, its share of the net profits or losses and other comprehensive income made by the investee as investment income or losses and other comprehensive income, and adjusts the carrying amount of the investment accordingly. The Group recognises its share of the investee's net profits or losses, except that the assets invested or disposed of constitute a business, after making appropriate adjustments to the investee's net profits based on the fair value of the investee's identifiable assets at the acquisition date, using the Group's accounting policies and periods, and eliminating the portion of the profits or losses arising from internal transactions with its associates and joint ventures, attributable to the investor according to its share ratio (but impairment losses for assets arising from internal transactions shall be recognised in full). The carrying amount of the long-term equity investment is reduced based on the Group's share of any profit distributions or cash dividends declared by the investee. The Group shall discontinue recognizing its share of the losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance forms part of the Group's net investment in the investee are reduced to zero, except to the extent that the Group has incurred obligations to assume additional losses. The Group also adjusts the carrying amount of long-term equity investments for other changes in shareholders' equity of the investees (other than the net profits or losses, other comprehensive income and profit allocation of the investee), and includes the corresponding adjustment in equity.

On disposal of the long-term equity investments, the difference between book value and actual proceeds received is recognized in profit or loss for the current period. For long-term equity investments under equity method, when the use of the equity method is discontinued, other comprehensive income previously accounted for under the equity method shall be dealt with on the same basis as if the relevant assets or liabilities were disposed of directly by the investee. Shareholders' equity recognised as a result of changes in shareholders' equity other than the net profits or losses, other comprehensive income and profit allocation of the investee shall be transferred in full to current profit and loss. If the equity method remains in use, other comprehensive income previously accounted for under the equity method shall be dealt with on the same basis as if the relevant assets or liabilities were disposed of directly by the investee and transferred to current profit and loss on a pro-rata basis. Shareholders' equity recognised as a result of changes in shareholders' equity other than the net profits or losses, other comprehensive income and profit allocation of the investee shall be transferred to current profit and loss on a pro-rata basis.

# NOTES TO FINANCIAL STATEMENTS

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## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 13. Investment properties

An investment property is a property held to earn rentals or for capital appreciation or both. Investment properties include land use rights leased out, land use rights held for transfer upon capital appreciation, and buildings leased out.

An investment property is measured initially at its cost. If the economic benefits relating to an investment property will probably flow in and the cost can be reliably measured, subsequent costs incurred for the property is included in the cost of the investment property. Otherwise, subsequent costs are recognised in profit or loss for the period in which they are incurred.

The Group uses the cost model for subsequent measurement of its investment properties. The accounting policy for depreciation or amortisation of investment properties is the same as that for buildings and land use rights.

### 14. Fixed assets

A fixed asset is recognised only when the economic benefits associated with the asset will probably flow to the Group and the cost of the asset can be measured reliably. Subsequent expenditures incurred for a fixed asset that meets the recognition criteria shall be included in its cost, and the carrying amount of the component of the fixed asset that is replaced shall be derecognised. Otherwise, such expenditures shall be recognised in profit or loss for the period during which they are incurred.

Fixed assets are initially measured at cost and the effect of any expected costs of abandoning the assets is considered. The cost of a purchased fixed asset comprises the purchase price, relevant taxes and any other directly attributable expenditure for bringing the asset to working condition for its intended use.

Depreciation of fixed assets is calculated using the straight-line method. The useful lives, estimated net residual value ratio and annual depreciation rate of fixed assets are as follows:

	Useful life	Estimated net residual value ratio	Annual depreciation rate
Buildings	20 – 35 years	3%	2.77 – 4.85%
Terminal facilities	20 – 30 years	3%	3.23 – 4.85%
Machinery and equipment	6 – 20 years	3%	4.85 – 16.17%
Vessels and transportation	6 – 10 years	3%	9.70 – 16.17%
Office and other equipment	6 years	3%	16.17%

Where individual component parts of an item of fixed assets have different useful lives or provide benefits to the enterprise in different patterns, different depreciation rates are applied.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at each financial year-end, and makes adjustments if necessary.



# NOTES TO FINANCIAL STATEMENTS

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## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 15. Construction in Progress

Construction in progress is recognised based on the actual construction expenditures incurred. It consists of all types of expenditures necessarily to be incurred, capitalised borrowing costs on related borrowed funds before the asset is ready for its intended use, and other related expenditures during the period of construction.

Construction in progress is transferred to fixed assets or intangible assets when the asset is ready for its intended use.

### 16. Borrowing Costs

Borrowing costs are interest and other costs incurred by the Group in connection with the borrowings. Borrowing costs include interest, amortisation of discounts or premiums related to borrowings, ancillary costs, and exchange differences arising from foreign currency borrowings.

The borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised. Other borrowing costs are recognised in profit or loss for the current period. Assets qualifying for capitalisation refer to fixed assets necessarily taking a substantial period of time for acquisition or construction to get ready for their intended use.

The capitalisation of borrowing costs commences only when all of the following conditions are satisfied:

- (1) expenditures for the asset are being incurred;
- (2) borrowing costs are being incurred;
- (3) activities relating to the acquisition or construction of the asset that are necessary to prepare the asset for its intended use have commenced.

Capitalisation of borrowing costs ceases when the qualifying asset being acquired or constructed becomes ready for its intended use. Any borrowing costs subsequently incurred are recognised in profit or loss for the current period.

During the capitalisation period, the amount of interest to be capitalised for each accounting period shall be determined as follows:

- (1) where funds are borrowed for a specific purpose, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any temporary interest earned from deposits or investment income.
- (2) where funds are borrowed for a general purpose, the amount of interest to be capitalised is determined by multiplying the weighted average of the excess amounts of accumulated expenditure on asset over the expenditure of specific-purpose borrowings by the weighted average interest rate.

Capitalisation of borrowing costs is suspended when the acquisition or construction of a qualifying asset is interrupted by activities other than those necessary to prepare the asset for its intended use, while the interruption lasts for more than three consecutive months. Borrowing costs incurred during these periods are recognised as expenses in profit or loss for the current period until the acquisition or construction is resumed.

# NOTES TO FINANCIAL STATEMENTS

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## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 17. Intangible assets

An intangible asset shall be recognised only when its related economic benefits will probably flow to the Group and its costs can be measured reliably. Intangible assets are measured initially at cost. However, intangible assets acquired in a business combination not under common control with a fair value that can be measured reliably are recognised separately as intangible assets and measured at fair value.

The useful life of an intangible asset is determined according to the period over which it is estimated to generate economic benefits for the Group. An intangible asset is regarded as having an indefinite useful life when the period over which the asset is estimated to generate economic benefits for the Group is uncertain.

The useful lives of the intangible assets are as follows:

	Useful lives
Land use rights	40 – 50 years
Sea area use rights	50 years
Software	5 – 10 years

The Group accounts for its land use rights and sea area use rights as intangible assets. For buildings such as plants that are developed and constructed by the Group, the relevant land use rights and buildings are accounted for as intangible assets and fixed assets, respectively. Payments for the land and buildings purchased are allocated between the land use rights and the buildings; if they cannot be reasonably allocated, all of the land use rights and buildings are accounted for as fixed assets.

Intangible assets with finite useful lives are amortised over the useful lives on the straight-line basis. The Group reviews the useful lives and the amortisation method of intangible assets with finite useful lives, and adjusts if appropriate, at least at the end of each year.

### 18. Asset Impairment

The impairment of an asset other than inventories, deferred income tax and financial assets is determined as follows:

The Group assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Group will estimate the recoverable amount of the asset and perform test for impairment. Goodwill arising from a business combination is tested for impairment at least at the end of each year, irrespective of whether there is any indication that the asset may be impaired. Intangible assets that have not been ready for intended use are tested for impairment each year.

The recoverable amount of an asset is the higher of its fair value less disposal costs and the present value of the future cash flows estimated to be derived from the asset. The Group estimates the recoverable amount on individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent from cash inflows of other assets or asset groups.

# NOTES TO FINANCIAL STATEMENTS

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## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 18. Asset Impairment (Continued)

When the recoverable amount of an asset or an asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The reduction in carrying amount is recognised in profit or loss for the current period and a provision for impairment loss of the asset is recognised accordingly.

Once the above asset impairment loss is recognised, it cannot be reversed in the subsequent accounting periods.

### 19. Long-term Prepaid Expenses

Long-term prepaid expenses are amortised on a straight-line basis over the beneficial period.

### 20. Employee Benefits

Employee benefits are all forms of considerations given by the Group in exchange for services rendered by its employees or for the termination of employment. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. The benefits provided by the Group to employees' spouse, children, dependents, families of deceased employees and other beneficiaries also belong to employee benefits.

#### Short-term employee benefits

In the accounting period which services are rendered by the employees, short-term employee benefits are actually recognised as liabilities and charged to profit or loss or related costs of assets for the current period.

#### Post-employment benefits (defined contribution plans)

Employees of the Group participate in the endowment insurance and unemployment insurance plans managed by local governments as well as enterprise annuity, and the relevant expenditure is recognised, when incurred, in the cost of relevant asset or profit or loss for the current period.

# NOTES TO FINANCIAL STATEMENTS

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## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 20. Employee Benefits (Continued)

#### Termination benefits

Where the Group provides termination benefits to its employees, the employee remuneration liabilities arising from termination benefits are recognised in profit or loss for the current period upon the occurrence of the earlier of the following: termination benefits provided as a result of termination of employment plan or downsizing proposal cannot be unilaterally withdrawn by an entity; or reorganisation-related costs or expenses involving payment of termination benefits are recognised by an entity.

#### Other long-term employee benefits

Other long-term benefits provided to the employees are net debt liabilities or net assets of other long-term employee benefits recognised or measured according to the requirements applicable to post-employment benefits. Changes arising from the measurement will be recognised in profit or loss or cost of relevant assets for the current period.

### 21. Provisions

Except for contingent consideration and contingent liability assumed in a business combination not under common control, the Group recognises an obligation related to a contingency as a provision when all of the following conditions are satisfied:

- (1) the obligation is a present obligation of the Group;
- (2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation;
- (3) the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, with comprehensive consideration of factors such as the risks, uncertainty and time value of money relating to a contingency. The carrying amount of a provision is reviewed at each balance sheet date. If there is clear evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the best estimate.



# NOTES TO FINANCIAL STATEMENTS

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## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 22. Revenues

Revenue shall be recognised only when the associated economic benefits will probably flow to the Group, with its amount being measured reliably, and all of the following conditions are satisfied.

#### Revenue from the rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably at the balance sheet date, revenue associated with the transaction is recognised according to the percentage of completion, or otherwise, the revenue is recognised to the extent of costs incurred that are expected to be recoverable. The outcome of a transaction involving the rendering of services can be estimated reliably when all of the following conditions are satisfied: the amount of revenue can be measured reliably; the associated economic benefits will probably flow to the Group; the stage of completion of the transaction can be measured reliably; and the costs incurred and to be incurred for the transaction can be measured reliably. The stage of completion is determined by the proportion that costs incurred to date bear to the estimated total costs of the transaction. The total service revenue on a transaction involving the rendering of services is determined in accordance with the consideration received or receivable from the recipient of services under contract or agreement, except those unfair considerations received or receivable under contract or agreement.

#### Revenue from the sales of goods

The Group recognises the revenue from the sales of goods when it has transferred the significant risks and rewards of ownership of the goods to the buyer, and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the associated costs incurred or to be incurred can be measured reliably. The amount of revenue arising from the sales of goods is determined in accordance with the consideration received or receivable from the buyer under contract or agreement, except those unfair considerations received or receivable under contract or agreement. Where the consideration receivable under contract or agreement is deferred so that the arrangement is in substance of a financing nature, the amount of revenue arising on the sales of goods is measured at the fair value of the consideration receivable.

#### Lease income

Rental income from operating leases is recognised on a straight-line basis over the lease term. Contingent rental incomes are credited to profit or loss in the current period in which they actually arise.

#### Interest income

Interest income is determined according to the length of time for which the Group's cash is in use by other parties and the effective interest rate.

# NOTES TO FINANCIAL STATEMENTS

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## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 23. Government Grants

Government grants are recognised when all respective conditions will be complied with and the grant will be received. The government grant is measured as the amount received or receivable where it takes the form of a cash asset, or at fair value where it is not a cash asset. Where the fair value cannot be reliably determined, it should be measured at nominal value.

In accordance with the stipulations of the government documents, government grants applied towards acquisition or construction or the formation of long-term assets in other manners are asset-related government grants. Those unspecified in the documents refer to the exercise of judgement based on the basic conditions for receiving the asset-related grant applied towards acquisition or construction or the formation of long-term assets in other manners. All other grants are recognised as income-related government grants.

#### Government grants in relation to assets

A government grant related to assets is recognized as deferred income and allocated to the profit or loss on a reasonable and systematic manner and by instalment for the period over the useful life of related assets. The grant measured at nominal amount is charged to profit or loss. The undistributed deferred income balances of the related assets which were disposed, transferred, written-off or damaged before the useful life were transferred to the profits and losses of the disposal of assets for the current period.

#### Government grants in relation to income

Government grants, relating to income and applied towards reimbursement of related costs or losses in subsequent periods, are recognised as deferred income and taken to profit or loss for the period in which the related costs are recognised. Government grants, applied towards reimbursement of related costs or losses already incurred, are directly recognised in profit or loss for the current period. Asset-related grant is recognised as a deferred income and credited in profit or loss for the current period and allocated over the expected useful life of the relevant asset by equal instalment. Where the grant is measured at nominal value, it is directly recognised in profit or loss for the current period.

### 24. Income Tax

Income tax comprises current and deferred income tax. Income tax is recognised as an expense or income in profit or loss for the current period, or otherwise recognised directly in shareholders' equity if it arises from goodwill on a business combination or relates to a transaction or event which is recognised directly in shareholders' equity.

The Group measures a current tax liability or asset arising from the current and prior periods based on the amount of income tax estimated to be paid or returned and calculated in accordance with the requirements of relevant tax laws.

The Group recognises deferred tax based on temporary differences using balance sheet liability method. Temporary differences are differences between the carrying amount of assets or liabilities in the balance sheet and their tax base on the balance sheet date. Temporary differences also include the differences between the carrying amounts and tax bases of items not recognised as assets or liabilities where the tax base can be calculated according to the relevant tax regulations.

# NOTES TO FINANCIAL STATEMENTS

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## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 24. Income Tax (Continued)

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- (1) where the taxable temporary differences arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or deductible tax loss.
- (2) in respect of taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

A deferred income tax asset is recognised for deductible temporary differences, and unused deductible tax losses and tax credits that can be carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, deductible tax losses and tax credits can be utilised, except:

- (1) where the deductible temporary difference arises from a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or deductible tax loss.
- (2) in respect of the deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, a deferred income tax asset is only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the deductible temporary differences can be utilised in the future.

At the balance sheet date, deferred income tax assets and liabilities are measured at the tax rates that are estimated to apply to the period when the asset is recovered or the liability is settled, according to the requirements of tax laws. The measurement of deferred income tax assets and deferred income tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover the assets or settle the liabilities.

The carrying amount of deferred income tax assets is reviewed at the balance sheet date and reduced to the extent that taxable profit is no longer sufficient in future periods to allow the deferred income tax assets to be utilised. Unrecognised deferred income tax assets are reassessed at the balance sheet date and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are offset and the net amount reported if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

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## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 25. Lease

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

#### In the case of being the lessee of an operating lease

Rental payments under an operating lease are recognised on a straight-line basis over the lease terms, and either included in the cost of the related asset or charged to profit or loss for the current period. Contingent rental payments are charged to profit or loss in the period in which they actually arise.

#### In the case of being the lessor of an operating lease

Rent income under an operating lease is recognised on a straight-line basis over the lease terms through profit or loss. Contingent rental incomes are credited to profit or loss in the period in which they actually arise.

### 26. Profit Distribution

Cash dividend of the Company is recognised as a liability upon being approved in the shareholders' general meeting.

### 27. Production Safety Expense

Production safety expense appropriated pursuant to the related regulations is recognised in the cost of the relevant products or in profit or loss for the current period, and also in the specialised reserve. The cost shall be handled according to whether a fixed asset is formed. The cost incurred through expenditure will be reduced directly from the specialised reserve. The cost incurred for a fixed asset shall be pooled and recognised as a fixed asset when it reaches the working condition for its intended use; meanwhile an equivalent amount shall be deducted from the specialised reserve and recognised as accumulated depreciation.

### 28. Significant Accounting Judgments and Estimates

The preparation of the financial statements requires the management to make judgments, estimates and assumptions that will affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the balance sheet date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### Uncertainty of estimation

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that may cause a material adjustment to the carrying amounts of assets and liabilities within the future accounting periods, are discussed below.



# NOTES TO FINANCIAL STATEMENTS

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## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 28. Significant Accounting Judgments and Estimates (Continued)

#### *Uncertainty of estimation (Continued)*

##### *Useful lives and residual values of fixed assets*

The Group's management determines the estimated useful lives and residual values of fixed assets and related depreciation charges. This estimate is based on the historical experience of the actual useful lives and residual values of fixed assets with similar nature and functions. It can change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives and residual values are less than previous estimations, or it will write off or write down the fixed assets technically obsolete or abandoned or sold.

##### *Impairment of accounts receivable and other receivables*

The impairment of accounts receivable and other receivables is based on the evaluation of the collectability of the outstanding accounts receivable and other receivables. The management's judgment and estimation are required in the recognition of the impairment of accounts receivable and other receivables. Provisions for impairment will be made where there is objective evidence that such receivables are not collectible. If the actual results or future expectation differ from the original estimate, such differences will affect the carrying amount of accounts receivable and other receivables and bad debt provisions/reversal in the period in which the estimate changes.

##### *Allowance for inventories*

Allowance for inventories represents the provision for impairment of the slow moving inventories based on their ages. The management's judgments and estimates are required for determining inventory impairment on the basis of clear evidence, purpose of holding the inventories, effect of subsequent events and other factors. The difference between the actual outcome and original estimate will affect the carrying amount of inventories and provision and reversal of decline in value of inventories during the estimated revision period.

##### *Impairment of non-current assets other than financial assets (other than goodwill)*

The Group assesses whether there are any indication of impairment for all non-current assets other than financial assets at the balance sheet date. Non-current assets are tested for impairment when there are indicators that the carrying amount may not be recoverable. Impairment exists when the carrying amount of an asset or asset group exceeds its recoverable amount, which is the higher of its fair value less disposal costs and the present value of the future cash flows. The calculation of the fair value less disposal costs is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When present value of future cash flows calculations are undertaken, the management must estimate the expected future cash flows from the asset or asset group and choose a suitable discount rate in order to calculate the present value of those cash flows.

##### *Deferred income tax assets*

Deferred income tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgments are required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

# NOTES TO FINANCIAL STATEMENTS

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## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 29. Changes in Accounting Policies

The specific Accounting Standards for Business Enterprises promulgated and amended from January to June 2017 by the Ministry of Finance of the PRC include the Accounting Standards for Business Enterprises No. 42-Non-Current Assets and Disposal Groups Held for Sale and Termination of Business Operation and the Accounting Standards for Business Enterprises No. 16 – Government grants (revision). They have become effective since 28 May 2017 and 12 June 2017 respectively.

The Accounting Standards for Business Enterprises No. 42-Non-Current Assets and Disposal Groups Held for Sale and Termination of Business Operation has no effect on the financial statement of the Group.

Pursuant to the relevant requirement of the Accounting Standards for Business Enterprises No. 16 – Government grants (revision), since 1 January, 2017, the government grants included in profit or loss shall be, based on the business of real economy, differentiated between the grants relevant to the daily activities of enterprises and the grants irrelevant to the daily activities of enterprises in the current period. They shall be presented separately in the item of “other income” above “operating income” in “income statement. The government grants relevant to the daily activities of enterprises are included in other income or deduction of related costs, while the grants irrelevant to the daily activities of enterprises and government subsidies not related to the daily activities of the enterprise are included in non-operating income and expenses. The above changes in accounting policies have no significant impact on the 2016 consolidated financial position and operation results of of the Company.

# NOTES TO FINANCIAL STATEMENTS

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## IV. TAXATION

### 1. Major Categories of Taxes and Respective Tax Rates

Value-added tax ("VAT")	–	The Group is subject to VAT at tax rate of 17% on the taxable sales. The Group's related port service revenues are taxable to output VAT at tax rate of 6%, and is levied after deducting deductible input VAT for the current period.
Business tax	–	It is levied at 5% of the taxable business turnover. The business tax is replaced by VAT since 1 May 2016.
City maintenance and construction tax	–	It is levied at 7% of VAT and business tax paid actually.
Enterprise income tax	–	It is levied at 25% on the taxable profit, except for certain subsidiaries of the Group established in Mainland China which enjoy tax preferences. The tax rate for overseas subsidiaries is 16.5%.
Property tax	–	Property tax on self-occupied properties of the Group is calculated at the applicable tax rate of 1.2% using the tax base of 70% of the initial cost of the properties; lease properties are taxable on the tax base of rental income at the applicable tax rate of 12%.
Land use tax	–	It is levied in accordance with unit tax amount prescribed in the tax law based on the actual area of land used by the taxpayer.

### 2. Tax Preferences

#### Enterprise income tax

According to the Implementation Rules of the PRC Enterprise Income Tax Law (Order No.512 of the State Council) and the Circular on the Implementation of the Catalogue of the Key Public Infrastructure Projects Supported by the State and Entitled for Preferential Tax Treatment (《國家稅務總局關於實施國家重點扶持的公共基礎設施項目企業所得稅優惠問題的通知》) (Guo Shui Fa [2009] No.80), Cangzhou Huanghuagang Mineral Port Co., Ltd. and Tangshan Caofeidian Coal Port Co., Ltd. are eligible for tax preferences for public infrastructure projects under key support of the State. Income derived by such companies from the investment in, and the operation of, public infrastructure projects under key support from the State is eligible for a tax exemption for the first year to the third year, and a 50% reduction in enterprise income tax for the fourth year to the sixth year, starting from the year in which the project first generates operating income. Cangzhou Bohai Port Co., Ltd., Cangzhou Huanghuagang Mineral Port Co., Ltd. and Tangshan Caofeidian Coal Port Co., Ltd. first generated their respective operating income in 2014 and 2015, respectively, and started to be entitled to the tax preferences of enterprise income tax.

# NOTES TO FINANCIAL STATEMENTS

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Cash and Bank Balances

	30 June 2017 (unaudited)	31 December 2016
Cash on hand	138,898.47	278,244.38
Bank deposits	2,802,620,584.87	1,856,754,717.18
	<b>2,802,759,483.34</b>	1,857,032,961.56
Less: Restricted bank deposits	5,151,280.00	215,280.00
Time deposits with maturity of more than three months	229,112,320.00	707,012,000.00
Cash and cash equivalents	<b>2,568,495,883.34</b>	1,149,805,681.56

As at 30 June 2017, the bank deposits of the payment guarantee deposits amounting to RMB215,280.00 (31 December 2016: RMB215,280.00) of the Group for the purpose of project construction. The deposit of letter of credit amounting to RMB4,936,000.00 (31 December 2016: nil) due to the purchase of goods were subject to restriction.

As at 30 June 2017, the cash and bank balances deposited overseas by the Group were equivalent to RMB66,530,603.56 (31 December 2016: RMB71,437,892.06).

Interest income earned on current deposits is calculated by using the current deposit interest rate. The deposit periods for short-term time deposits vary from 7 days to 1 year depending on the cash requirements of the Group and earn interest at the respective deposit rates.

### 2. Bills Receivable

	30 June 2017 (unaudited)	31 December 2016
Commercial acceptance notes	8,970,000.00	–
Bank acceptance notes	55,831,279.09	90,586,781.68
	<b>64,801,279.09</b>	90,586,781.68

As at 30 June 2017, no bills receivable of the Group was pledged (31 December 2016: nil).



# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2. Bills Receivable (continued)

Bills receivable which were endorsed but undue as at the balance sheet date were as follows:

	30 June 2017 (unaudited)		31 December 2016	
	Derecognised	Not Derecognised	Derecognised	Not Derecognised
Bank acceptance notes	4,800,000.00	–	59,155,255.64	–

### 3. Accounts Receivable

The credit period of accounts receivable is usually not more than 90 days. The accounts receivable bear no interest.

An ageing analysis of the accounts receivable is as follows:

	30 June 2017 (unaudited)	31 December 2016
Within 1 year	115,374,774.56	98,365,895.68
1 to 2 years	8,588,301.15	19,247,272.52
2 to 3 years	55,242,392.63	55,999,134.47
Over 3 years	1,741,937.25	1,655,441.05
	180,947,405.59	175,267,743.72
Less: Provision for bad debts	29,762,640.44	25,194,510.22
	151,184,765.15	150,073,233.50

The movements in the provision for bad debts are as follows:

	Opening balance in the period/year	Provision in the current period/year	Reversal in the current period/year	Write-off in the current period/year	Closing balance in the period/year
For the six months ended 30 June 2017 (unaudited)	25,194,510.22	5,348,203.93	(780,073.71)	–	29,762,640.44
2016	15,736,495.74	9,481,896.23	(23,881.75)	–	25,194,510.22

# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. Accounts Receivable (continued)

The risk classification of accounts receivable is as follows:

	30 June 2017 (unaudited)				31 December 2016			
	Balance		Provision for bad debts		Balance		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Provision for bad debts by credit risk characteristics group	174,887,548.20	96.65	23,702,783.05	79.64	175,267,743.72	100.00	25,194,510.22	100.00
Provision for bad debts that are individually insignificant and are provided for bad debts separately	6,059,857.39	3.35	6,059,857.39	20.36	-	-	-	-
	180,947,405.59	100.00	29,762,640.44	100.00	175,267,743.72	100.00	25,194,510.22	100.00

Accounts receivables that are individually insignificant and are provided for bad debts separately as at 30 June 2017 are as follows:

	Balance	Provision for bad debts	Provided ratio	Reasons for provision
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	6,059,857.39	6,059,857.39	100.00%	Increase in credit risk

Accounts receivable which are subject to provision for bad debts by credit risk characteristics group is as follows:

	30 June 2017 (unaudited)				31 December 2016			
	Balance		Provision for bad debts		Balance		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Provision for bad debts by credit risk characteristics								
Within 1 year	114,433,434.17	65.43	5,362,335.75	5	98,365,895.68	56.12	4,720,335.72	5
1 to 2 years	5,093,024.15	2.91	509,302.36	10	19,247,272.52	10.98	1,954,983.87	10
2 to 3 years	53,619,152.63	30.66	16,089,207.69	30	55,999,134.47	31.95	16,863,749.58	30
Over 3 years	1,741,937.25	1.00	1,741,937.25	100	1,655,441.05	0.95	1,655,441.05	100
	174,887,548.20	100.00	23,702,783.05		175,267,743.72	100.00	25,194,510.22	

From January to June 2017 and for the year end 2016, the Group performed the impairment test in respect of single accounts receivable that was significant, and considered there was no need for the provision for bad debts separately. The Group grouped these accounts receivable and made the provision for bad debts by method of ageing analysis.

From January to June 2017 and for the year of 2016, the Group does not actually write-off any other receivables during the year.

# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. Accounts Receivable (continued)

As at 30 June 2017, accounts receivable from the five largest customers were as follows:

	Balance		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
China Shougang International Trade and Engineering Co. (中國首鋼國際貿易工程公司)	53,036,005.60	29.31	15,910,801.68	30
China Ocean Shipping Agency				
Qinhuangdao	21,105,059.00	11.66	1,055,252.95	5
秦皇島之海船務代理有限公司	16,242,707.18	8.98	812,135.36	5
Qinhuangdao Jinhai Oil Industrial Co., Ltd. (秦皇島金海糧油工業有限公司)	7,151,373.00	3.95	357,568.65	5
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	6,059,857.39	3.35	6,059,857.39	100
	103,595,002.17	57.25	24,195,616.03	

As at 31 December 2016, accounts receivable from the five largest customers were as follows:

	Balance		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
China Shougang International Trade and Engineering Co. (中國首鋼國際貿易工程公司)	68,273,796.01	38.95	17,681,234.49	26
China Ocean Shipping Agency				
Qinhuangdao	16,840,248.00	9.61	842,012.40	5
秦皇島之海船務代理有限公司	15,610,181.00	8.91	780,509.05	5
Shanghai Pan Asia Shipping Co. Ltd (上海泛亞航運有限公司)	10,527,350.06	6.01	526,367.50	5
秦皇島中遠集裝箱船務代理有限公司	7,403,811.45	4.21	370,190.57	5
	118,655,386.52	67.69	20,200,314.01	

# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. Prepayments

An aged analysis of prepayments is as follows:

	30 June 2017 (unaudited)		31 December 2016	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	6,153,494.54	73.22	10,256,772.09	88.43
1 to 2 years	2,250,233.71	26.78	1,337,058.61	11.53
2 to 3 years	–	–	4,453.14	0.04
	<b>8,403,728.25</b>	<b>100.00</b>	<b>11,598,283.84</b>	<b>100.00</b>

### 5. Dividends Receivable

	30 June 2017 (unaudited)	31 December 2016
Tangshan Caofeidian Shiye Port Co., Ltd., (唐山曹妃甸實業港務有限公司)	84,000,000.00	–
Tangshan Caofeidian Tugboat Co., Ltd. (唐山港曹妃甸拖船有限公司)	4,172,048.94	–
	<b>88,172,048.94</b>	<b>–</b>

### 6. Other Receivables

An aged analysis of other receivables is as follows:

	30 June 2017 (unaudited)	31 December 2016
Within 1 year	104,060,512.50	35,126,863.69
1 to 2 years	493,883.52	455,660.37
2 to 3 years	574.45	568,892.06
Over 3 years	263,560.84	653,260.84
	<b>104,818,531.31</b>	<b>36,804,676.96</b>
Less: Provision for bad debts of other receivables	<b>5,484,167.33</b>	<b>2,600,722.73</b>
	<b>99,334,363.98</b>	<b>34,203,954.23</b>



# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. Other Receivables (Continued)

The movements in provision for bad debts of other receivables are as follows:

	Opening balance in the period/year	Provision in the current period/year	Reversal the current period/year	Write-off in the current period/year	Closing balance in the period/year
For the six months ended 30 June 2017 (unaudited)	2,600,722.73	3,575,431.03	(691,986.43)	–	5,484,167.33
2016	27,962,127.05	145,274.71	(25,506,679.03)	–	2,600,722.73

The Group's adoption of the aged analysis method in provision for bad debts of other receivables is as follows:

	30 June 2017 (unaudited)				31 December 2016			
	Balance		Provision for bad debts		Balance		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	104,060,512.50	99.28	5,171,045.80	5	35,126,863.69	95.44	1,741,728.23	5
1 to 2 years	493,883.52	0.47	49,388.35	10	455,660.37	1.24	45,566.04	10
2 to 3 years	574.45	0.01	172.34	30	568,892.06	1.55	160,167.62	30
Over 3 years	263,560.84	0.24	263,560.84	100	653,260.84	1.77	653,260.84	100
	104,818,531.31	100.00	5,484,167.33		36,804,676.96	100.00	2,600,722.73	

From January to June 2017 and for the year of 2016, the Group does not actually write-off any other receivables during the year.

Other receivables by nature are as follows:

	30 June 2017 (unaudited)	31 December 2016
Equity transfer consideration	14,879,384.44	–
Government grants	30,682,300.00	30,682,300.00
Deposits	593,070.18	1,577,456.90
Utilities	1,546,577.84	–
Proceeds from the land disposal	54,100,000.00	–
Others	3,017,198.85	4,544,920.06
	104,818,531.31	36,804,676.96

# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. Other Receivables (continued)

As at 30 June 2017, accounts receivable from the five largest customers were as follows:

	Balance		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
滄州渤海新區財政局 Bohai Jin-Ji Port Investment and Development Company Limited (渤海津冀港口投資發展有限公司)	84,782,300.00	80.88	4,239,115.00	5
People's Insurance Company of China (中國人民財產保險股份有限公司)	14,879,384.44	14.20	743,969.22	5
Cangzhou Bohai Jinji Container Terminal Co., Ltd. (滄州渤海津冀 集裝箱碼頭有限公司)	1,000,929.67	0.95	50,046.48	5
Tianjin Research Institute for Water Transport Engineering, Ministry of Transport (交通運輸部天津 水運工程可續研究所)	801,268.99	0.76	40,063.45	5
	635,686.08	0.61	31,784.30	5
	102,099,569.18	97.40	5,104,978.45	

As at 31 December 2016, accounts receivable from the five largest customers were as follows:

	Balance		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
滄州渤海新區財政局 People's Insurance Company of China (中國人民財產保險股份有限公司)	30,682,300.00	83.37	1,534,115.00	5
秦皇島市建設交易中心	1,800,912.44	4.89	89,872.75	5
洛陽正方圓重礦機械檢驗技術 有限責任公司	991,600.00	2.69	620,670.00	63
Tianjin Research Institute for Water Transport Engineering, Ministry of Transport (交通運輸部天津 水運工程可續研究所)	268,867.92	0.73	26,886.79	10
	186,792.45	0.51	18,679.25	10
	33,930,472.81	92.19	2,290,223.79	

# NOTES TO FINANCIAL STATEMENTS

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. Other Receivables (continued)

As at 30 June 2017, the government grants receivable were as follows:

	Grant project	Amount	Payment date	Expected receiving time, amount and basis
Administration Commission of Bohai New Zone in Cangzhou City	Subsidy to container amount	30,682,300.00	Within 1 year	Bo Xin Guan Zi [2012] No. 25 (渤新管字[2012]25號) Expected to receive in 2017

As at 31 December 2016, the government grants receivable were as follows:

	Grant project	Amount	Payment date	Expected receiving time, amount and basis
Administration Commission of Bohai New Zone in Cangzhou City	Subsidy to container amount	30,682,300.00	Within 1 year	Bo Xin Guan Zi [2012] No. 25 (渤新管字[2012]25號) Expected to receive in 2017

### 7. Inventories

	30 June 2017 (unaudited)			31 December 2016		
	Balance	Provision for Impairment	Carrying amount	Balance	Provision for Impairment	Carrying amount
Materials	69,572,638.95	-	69,572,638.95	69,551,118.56	-	69,551,118.56
Fuels	5,010,888.89	-	5,010,888.89	5,363,206.95	-	5,363,206.95
Spare parts	140,922,465.20	-	140,922,465.20	135,333,392.63	-	135,333,392.63
Low-cost consumables	3,551,094.41	-	3,551,094.41	3,640,572.81	-	3,640,572.81
Finished goods	496,731.09	-	496,731.09	1,438,299.46	-	1,438,299.46
	219,553,818.54	-	219,553,818.54	215,326,590.41	-	215,326,590.41

### 8. Other Current Assets

	30 June 2017 (unaudited)	31 December 2016
VAT Payable	180,047,981.37	183,012,119.14
Financial products (Note)	122,000,000.00	-
Prepaid enterprise income tax	48,844,078.40	26,765,262.11
Outstanding VAT	1,318,973.84	-
	352,211,033.61	209,777,381.25

Note: The Group held principal guaranteed floating-income financial products of RMB112,000,000.00, RMB5,000,000.00 and RMB5,000,000.00 managed by China Minsheng Banking Co., Ltd., Bank of Communications Co., Limited and Industrial and Commercial Bank of China Limited respectively, with maturities of 85 days to 365 days.

# NOTES TO FINANCIAL STATEMENTS

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9. Available-for-sale Financial Assets

	30 June 2017 (unaudited)	31 December 2016
Non-listing investment Available-for-sale equity instruments	710,376,014.95	710,376,014.95

As at 30 June 2017 and 31 December 2016 the equity investments held by the Group in unlisted companies in the PRC are measured at cost. The Group does not intend to dispose of these investments. The details are as follows:

Investee	Shareholding	31 December 2016	Increase in the period	Decrease in the period	30 June 2017	Cash dividend for the period
SDIC Caofeidian Port Co., Ltd. (國投曹妃甸港口有限公司)	15.00%	498,000,000.00	-	-	498,000,000.00	-
Qinhuangdao Ruigang Coal Logistics Co., Ltd. (秦皇島睿港煤炭物流有限公司)	17.00%	34,000,000.00	-	-	34,000,000.00	-
Cangzhou Huanghuagang Steel Logistics Co., Ltd. (滄州黃驊港鋼鐵物流有限公司)	3.62%	30,752,357.95	-	-	30,752,357.95	-
Qinhuangdao Port Elevator Co., Ltd. (秦皇島港立電梯有限責任公司)	10.00%	701,747.00	-	-	701,747.00	-
Tangshan Caofeidian Coal Stacking and Blending Co., Ltd. (唐山曹妃甸動力煤儲配有限公司)	16.00%	65,040,000.00	-	-	65,040,000.00	-
Tangshan Caofeidian Tugboat Co., Ltd. (唐山港曹妃甸拖船有限公司)	18.03%	81,881,910.00	-	-	81,881,910.00	4,172,048.94
Total		710,376,014.95	-	-	710,376,014.95	4,172,048.94

Investee	Shareholding	31 December 2016	Increase in the period	Decrease in the period	31 December 2016	Cash dividend for the period
SDIC Caofeidian Port Co., Ltd. (國投曹妃甸港口有限公司)	15.00%	498,000,000.00	-	-	498,000,000.00	2,400,000.00
Qinhuangdao Ruigang Coal Logistics Co., Ltd. (秦皇島睿港煤炭物流有限公司)	17.00%	34,000,000.00	-	-	34,000,000.00	-
Cangzhou Huanghuagang Steel Logistics Co., Ltd. (滄州黃驊港鋼鐵物流有限公司) (Note)	3.62%	30,752,357.95	-	-	30,752,357.95	-
Qinhuangdao Port Elevator Co., Ltd. (秦皇島港立電梯有限責任公司)	10.00%	701,747.00	-	-	701,747.00	-
Tangshan Caofeidian Coal Stacking and Blending Co., Ltd. (唐山曹妃甸動力煤儲配有限公司)	16.00%	65,040,000.00	-	-	65,040,000.00	-
Tangshan Caofeidian Tugboat Co., Ltd. (唐山港曹妃甸拖船有限公司)	18.03%	81,881,910.00	-	-	81,881,910.00	3,236,502.00
Total		710,376,014.95	-	-	710,376,014.95	5,636,502.00

As at 30 June 2017 and 31 December 2016, the management of the Company considered that provision for impairment of available-for-sale financial assets was not necessary.



# NOTES TO FINANCIAL STATEMENTS

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 10. Long-term equity investments

For the six months ended 30 June 2017 (unaudited)

	Opening balance	Increase in investment	Increase/(decrease) during the period				Closing carrying amount	Period-end provision for impairment
			Increase in (losses)/profits	Share of cash dividend	Other equity movements	Provision for impairment		
Equity method:								
Joint ventures								
Bohai Jin-Ji Port Investment and Development Company Limited (渤海津冀港口投資發展有限公司)	89,205,396.06	300,000,000.00	(9,527,137.33)	-	-	379,678,258.73	-	-
Gangzhou Bohai Jinji Container Terminal Co., Ltd. (滄州渤海津冀集裝箱碼頭有限公司)	-	58,854,044.14	(1,221,591.57)	-	246.15	57,632,698.72	-	-
Sub-total	89,205,396.06	358,854,044.14	(10,748,728.90)	-	246.15	437,310,957.45	-	-
Associates								
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	-	-	-	-	-	-	-	-
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	217,911,512.02	-	6,729,737.90	-	-	224,641,249.92	-	-
Tangshan Caofeidian Shiye Port Co., Ltd. (唐山曹妃甸實業港務有限公司)	1,024,530,094.60	-	63,076,160.94	(84,000,000.00)	2,139,042.85	1,005,745,298.39	-	-
Qinhuangdao Xing'ao Qin Gang Energy Storage & Transportation Co., Ltd. (秦皇島興泰能源儲運有限公司)	20,000,000.00	-	-	-	-	20,000,000.00	-	-
Handan International Land Port Co., Ltd. (邯鄲國際陸港有限公司)	68,038,004.89	-	(1,037,016.39)	-	-	67,000,988.50	-	-
Tangshan Jingqiang Railway Co., Ltd. (唐山京唐鐵路有限公司)	34,935,192.73	-	(1,285,035.37)	-	-	33,650,157.36	-	-
Gangzhou Bohai New Zone Gangxing Tugboat Co., Ltd. (滄州渤海新區港興拖輪有限公司)	88,601,688.17	49,845,800.00	1,278,434.27	-	-	139,725,922.44	-	-
Sub-total	1,454,016,492.41	49,845,800.00	68,762,281.35	(84,000,000.00)	2,139,042.85	1,490,763,616.61	-	-
Total	1,543,221,888.47	408,699,844.14	58,013,552.45	(84,000,000.00)	2,139,289.00	1,928,074,574.06	-	-

# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 10. Long-term equity investments (continued)

2016

Equity method:	Increase/(decrease) during the period						Period-end provision for impairment	
	Opening balance	Increase in investment	Share of (losses)/profits	Declaration of cash dividend	Other equity movements	Provision for impairment		Closing carrying amount
<b>Joint ventures</b>								
Bohai Jin-Ji Port Investment and Development Company Limited (渤海津冀港口投資發展有限公司)	99,285,990.07	-	(10,080,594.01)	-	-	-	89,205,396.06	-
Sub-total	99,285,990.07	-	(10,080,594.01)	-	-	-	89,205,396.06	-
<b>Associates</b>								
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤務檢驗行)	932,604.68	-	(932,604.68)	-	-	-	-	-
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	211,146,190.86	-	6,765,321.16	-	-	-	217,911,512.02	-
Tangshan Caofeidian Shiye Port Co., Ltd. (唐山曹妃甸實業港務有限公司)	1,004,030,593.63	-	122,282,549.18	(105,000,000.00)	3,216,951.79	-	1,024,530,094.60	-
Qinhuangdao Xing'ao Qin'gang Energy Storage & Transportation Co., Ltd. (秦皇島興秦港能源儲運有限公司)	20,000,000.00	-	-	-	-	-	20,000,000.00	-
Handan International Land Port Co., Ltd. (邯鄲國際港務有限公司)	73,388,752.49	-	(5,350,747.60)	-	-	-	68,038,004.89	-
Tangshan Jingtang Railway Co., Ltd. (唐山京唐鐵路有限公司)	35,960,996.42	-	(1,025,803.69)	-	-	-	34,935,192.73	-
Cangzhou Bohai New Zone Gangxing Tugboat Co., Ltd. (滄州渤海新區港興拖輪有限公司)	60,450,073.21	28,000,000.00	151,614.96	-	-	-	88,601,688.17	-
Sub-total	1,405,909,211.29	28,000,000.00	121,890,329.33	(105,000,000.00)	3,216,951.79	-	1,454,016,492.41	-
Total	1,505,195,201.36	28,000,000.00	111,809,735.32	(105,000,000.00)	3,216,951.79	-	1,543,221,888.47	-

# NOTES TO FINANCIAL STATEMENTS

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 11. Investment Properties

#### Land use right

Investment properties measured under the cost method:

	For the six months ended 30 June 2017 (unaudited)	2016
Cost		
Opening balance in the period/year and closing balance in the period/year	7,410,000.00	7,410,000.00
Accumulated depreciation		
Opening balance in the period/year	1,272,050.00	1,123,850.00
Provision for the period/year	74,100.00	148,200.00
Closing balance in the period/year	1,346,150.00	1,272,050.00
Carrying amounts		
Opening balance in the period/year	6,137,950.00	6,286,150.00
Closing balance in the period/year	6,063,850.00	6,137,950.00

The above investment properties are all in PRC and held under medium term lease.

As at 30 June 2017 and 31 December 2016, the above investment properties were all leased out under operating leases.

# NOTES TO FINANCIAL STATEMENTS

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. Fixed Assets

For the six months ended 30 June 2017 (unaudited)

	Buildings	Terminal facilities	Machinery and equipment	Vessels and transportation equipment	Office and other equipment	Total
Cost						
1 January 2017	3,941,088,335.69	8,725,532,732.11	8,458,211,590.88	462,831,564.27	232,221,889.75	21,819,886,112.70
Purchase	-	-	13,280.00	-	109,914.52	123,194.52
Transferred from construction in progress	57,858,069.57	-	26,470,865.49	-	1,299,616.58	85,628,551.64
Reclassification	-	-	(115,722.52)	725,499.20	(609,776.68)	-
Transferred to construction in progress due to renovation and retrofitting	(106,248,359.72)	(1,154,879,842.93)	(596,287,462.18)	(684,307.00)	(6,717,178.48)	(1,864,817,150.31)
Disposal for the period	(1,464,281.00)	-	(11,518,144.99)	(451,375.72)	(4,769,148.60)	(18,202,950.31)
Other decrease	(2,205,084.00)	-	-	-	-	(2,205,084.00)
30 June 2017	3,889,028,680.54	7,570,652,889.18	7,876,774,406.68	462,421,380.75	221,535,317.09	20,020,412,674.24
Accumulated depreciation						
1 January 2017	1,045,809,413.14	1,746,751,058.68	5,100,523,460.76	343,010,055.31	174,796,767.10	8,410,890,754.99
Provision for the period (Note)	85,552,422.55	168,612,419.01	286,577,080.25	20,263,352.91	7,386,750.20	568,392,024.92
Reclassification	-	-	26,261.65	-	(26,261.65)	-
Transferred to construction in progress due to renovation and retrofitting	(15,647,773.16)	(197,520,741.80)	(137,454,359.59)	(603,012.26)	(3,010,250.83)	(354,236,137.64)
Disposal for the period	(754,442.51)	-	(9,908,310.52)	(376,263.56)	(4,608,908.70)	(15,647,925.29)
30 June 2017	1,114,959,620.02	1,717,842,735.89	5,239,764,132.55	362,294,132.40	174,538,096.12	8,609,398,716.98
Provision for impairment						
1 January 2017	-	-	6,162,139.84	-	87,324.95	6,249,464.79
Writing-back for the year	-	-	(49,279.17)	-	-	(49,279.17)
30 June 2017	-	-	6,112,860.67	-	87,324.95	6,200,185.62
Carrying amounts of fixed assets						
30 June 2017	2,774,069,060.52	5,852,810,153.29	2,630,897,413.46	100,127,248.35	46,909,896.02	11,404,813,771.64
1 January 2017	2,895,278,922.55	6,978,781,673.43	3,351,525,990.28	119,821,508.96	57,337,797.70	13,402,745,892.92



# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. Fixed Assets (continued)

2016

	Buildings	Terminal facilities	Machinery and equipment	Vessels and transportation equipment	Office and other equipment	Total
<b>Cost</b>						
1 January 2016	2,902,849,663.25	7,431,040,336.37	7,412,516,280.18	457,834,667.72	211,285,292.31	18,415,526,239.83
Purchase	327,490.00	-	19,547.01	437,164.36	519,251.56	1,303,452.93
Transferred from construction in progress	1,031,170,034.72	1,289,446,043.74	1,086,266,624.98	7,778,918.53	24,592,685.95	3,439,254,307.92
Reclassification	6,958,143.72	5,046,352.00	(10,816,220.90)	-	(1,188,274.82)	-
Transferred to construction in progress due to renovation and retrofitting	(132,800.00)	-	(114,513.00)	-	-	(247,313.00)
Disposal for the period	(84,196.00)	-	(29,660,127.39)	(3,219,186.34)	(2,987,065.25)	(35,950,574.98)
<b>31 December 2016</b>	<b>3,941,088,335.69</b>	<b>8,725,532,732.11</b>	<b>8,458,211,590.88</b>	<b>462,831,564.27</b>	<b>232,221,889.75</b>	<b>21,819,886,112.70</b>
<b>Accumulated depreciation</b>						
1 January 2016	903,473,198.69	1,438,514,110.99	4,589,984,822.12	304,797,044.44	165,318,973.71	7,402,088,149.95
Provision for the period (Note)	141,803,722.80	307,788,242.95	538,560,737.83	41,335,621.62	13,048,729.14	1,042,537,054.34
Reclassification	673,739.00	448,704.74	(386,097.40)	-	(736,346.34)	-
Transferred to construction in progress due to renovation and retrofitting	(59,577.23)	-	(111,077.61)	-	-	(170,654.84)
Disposal for the period	(81,670.12)	-	(27,524,924.18)	(3,122,610.75)	(2,834,589.41)	(33,563,794.46)
<b>31 December 2016</b>	<b>1,045,809,413.14</b>	<b>1,746,751,058.68</b>	<b>5,100,523,460.76</b>	<b>343,010,055.31</b>	<b>174,796,767.10</b>	<b>8,410,890,754.99</b>
<b>Provision for impairment</b>						
1 January 2016	-	-	6,162,977.29	-	87,324.95	6,250,302.24
Writing-back for the year	-	-	(837.45)	-	-	(837.45)
<b>31 December 2016</b>	<b>-</b>	<b>-</b>	<b>6,162,139.84</b>	<b>-</b>	<b>87,324.95</b>	<b>6,249,464.79</b>
<b>Carrying amounts of Fixed assets</b>						
<b>31 December 2016</b>	<b>2,895,278,922.55</b>	<b>6,978,781,673.43</b>	<b>3,351,525,990.28</b>	<b>119,821,508.96</b>	<b>57,337,797.70</b>	<b>13,402,745,892.92</b>
1 January 2016	1,999,376,464.56	5,992,526,225.38	2,816,368,480.77	153,037,623.28	45,878,993.65	11,007,187,787.64

Notes: For the six months ended 30 June 2017, depreciation of RMB629,493.65 (2016: RMB1,887,334.21) provided for machinery and equipment directly related to the construction of construction in progress of the Group was capitalised in construction in progress.

As at 30 June 2017, the Group has no fixed assets which were temporarily idle (31 December 2016: nil).

# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. Fixed Assets (continued)

Fixed assets leased out under operating leases are as follows:

	30 June 2017 (unaudited)	31 December 2016
Terminal facilities	449,997,146.96	456,601,509.14
Machinery and equipment	2,899,359.35	7,577,035.47
Buildings	15,747,488.57	15,867,417.68
Vessels and transportation equipment	–	15,214.50
Office and other equipment	34,303.70	44,910.74
	<b>468,678,298.58</b>	<b>480,106,087.53</b>

### 13. Construction in Progress

	30 June 2017 (unaudited)			31 December 2016		
	Balance	Provision for impairment	Carrying amount	Balance	Provision for impairment	Carrying amount
Phase 1 of metal ores terminal project in the bulk cargo area of Huanghua Port	644,302,872.27	–	644,302,872.27	643,570,588.45	–	643,570,588.45
Phase 2 of coal terminal project in Caofeidian	5,000,242,400.40	–	5,000,242,400.40	4,896,360,788.56	–	4,896,360,788.56
Commencing project of complex port zone in Huanghua Port	141,402,874.81	–	141,402,874.81	111,326,263.42	–	111,326,263.42
Construction project of wind-proof net for coal stacking yards	52,992,152.14	–	52,992,152.14	34,538,527.23	–	34,538,527.23
Wastewater treatment project of Phase One and Phase Two coal project	–	–	–	29,741,243.00	–	29,741,243.00
Renovation project for dry fog dust suppression of dumpers	–	–	–	14,537,587.51	–	14,537,587.51
Others	206,448,755.79	–	206,448,755.79	100,918,957.21	–	100,918,957.21
Total	<b>6,045,389,055.41</b>	<b>–</b>	<b>6,045,389,055.41</b>	<b>5,830,993,955.38</b>	<b>–</b>	<b>5,830,993,955.38</b>

Management of the Company is of the opinion that no provision for impairment of construction in progress was necessary as at the balance sheet date.

# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 13. Construction in Progress (continued)

For the six months ended 30 June 2017 (unaudited)

	Budget	Opening balance	Increase in the period	Transferred From fixed assets during the period	Other decrease	Closing balance	Source of funds	Percentage of accumulated project input to budget (%)
Phase 2 of coal terminal project in Caofeidian	5,428,903,500.00	4,896,360,788.56	104,316,244.33	(434,632.49)	-	5,000,242,400.40	Loans from financial institutes and self-owned capital	93
Phase 1 of metal ores terminal of Huanghua Port	5,790,815,353.83	643,570,588.45	915,506.06	(183,222.24)	-	644,302,872.27	Funds raised, loans from project in the bulk cargo area financial institutes and self-owned capital	85
Commencing project of complex port zone in Huanghua Port	7,555,702,691.90	111,326,263.42	67,811,677.34	(20,363,991.46)	(17,371,074.49)	141,402,874.81	Loans from financial institutes and self-owned capital	88
Construction project of wind-proof net for coal stacking yards	378,000,000.00	34,538,527.23	18,453,624.91	-	-	52,992,152.14	Self-owned capital	77
Wastewater treatment project of Phase One and Phase Two coal project	33,790,000.00	29,741,243.00	4,500.00	(29,745,743.00)	-	-	Self-owned capital	88
Others	807,023,400.00	115,456,544.72	125,893,173.52	(34,900,962.45)	-	206,448,755.79	Self-owned capital	
Total	19,994,234,945.73	5,830,993,955.38	317,394,726.16	(85,628,551.64)	(17,371,074.49)	6,045,389,055.41		

# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 13. Construction in Progress (continued)

2016

	Budget	Opening balance	Increase in the period	Transferred From fixed assets during the period	Transferred to fixed assets during the period	Closing balance	Source of funds	Percentage of accumulated project input to budget (%)
Phase 2 of coal terminal project in CaoFeidian	5,428,903,500.00	4,633,263,190.17	263,214,619.76	-	(117,021.37)	4,896,360,788.56	Loans from financial institutes and self-owned capital	91
Phase 1 of metal ores terminal project in the bulk cargo area of Huanghua	5,790,815,353.83	4,713,322,622.32	187,033,049.58	22,492,900.65	(4,279,277,984.10)	643,570,588.45	Funds raised, loans from financial institutes a Port self-owned capita	85
Commencing project of complex port zone in Huanghua Port	7,555,702,691.90	220,310,366.09	78,901,489.94	-	(187,885,592.61)	111,326,263.42	Loans from financial institutes and self-owned capital	87
Construction project for wind-proof net for coal stacking yards	378,000,000.00	715,800.00	33,822,727.23	-	-	34,538,527.23	Self-owned capital	72
Renovation project for reutilization of wastewater with dust	32,020,000.00	13,953,619.38	10,025,946.66	-	(23,979,566.04)	-	Self-owned capital	79
Wastewater treatment project of Phase One and Phase Two coal project	33,790,000.00	16,337,266.00	13,403,977.00	-	-	29,741,243.00	Self-owned capital	88
Renovation project for dry fog dust suppression of dumpers	19,480,000.00	9,048,197.76	5,489,389.75	-	-	14,537,587.51	Self-owned capital	75
Others	640,633,613.85	48,869,404.64	130,577,343.76	76,658.16	(78,604,449.35)	100,918,957.21		
Total	19,879,345,159.58	9,655,820,466.36	722,468,543.68	22,569,558.81	(4,569,864,613.47)	5,830,993,955.38		



# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 13. Construction in Progress (continued)

For the six months ended 30 June 2017 (unaudited)

	Progress of project	Accumulated Amounts of capitalised interest	Including: capitalised interest for the period	Ratio of capitalized interest for the period
Phase 2 of coal terminal project in Caofeidian	93%	860,523,517.71	83,977,774.61	4.41%-6.15%

2016

	Progress of project	Accumulated Amounts of capitalised interest	Including: capitalised interest for the year	Ratio of capitalized interest for the year
Phase 2 of coal terminal project in Caofeidian	91%	776,545,743.10	160,529,802.59	4.41%-6.15%
Phase 1 of metal ores Terminal project in The bulk cargo area of Huanghua Port	85%	467,647,203.93	107,158,241.33	3.92%-5.31%
		1,244,192,947.03	267,688,043.92	

# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 14. Intangible Assets

For the six months ended 30 June 2017 (unaudited)

	Land use rights	Software	Sea area use rights	Total
Cost				
1 January 2017	1,691,784,356.38	113,865,347.86	401,128,676.24	2,206,778,380.48
Purchase for the period	24,523,300.00	191,547.80	29,545.74	24,744,393.54
Disposal for the period	(108,287,213.00)	(168,000.00)	(3,290,155.20)	(111,745,368.20)
Decrease due to changes of scope	(19,786,132.10)	(2,315,956.39)	–	(22,102,088.49)
Reclassification	18,386,149.71	–	(18,386,149.71)	–
Other decrease	(780,894.75)	–	–	(780,894.75)
30 June 2017	1,605,839,566.24	111,572,939.27	379,481,917.07	2,096,894,422.58
Accumulated amortization				
1 January 2017	108,897,116.44	68,128,360.99	20,013,161.51	197,038,638.94
Provision for the period (Note)	20,155,056.22	3,659,527.04	398,565.00	24,213,148.26
Disposal for the period	(17,371,074.49)	(164,416.78)	–	(17,535,491.27)
Decrease due to changes of scope	(106,568.04)	(463,191.33)	–	(569,759.37)
Reclassification	780,894.75	–	(780,894.75)	–
Other decrease	(780,894.75)	–	–	(780,894.75)
30 June 2017	111,574,530.13	71,160,279.92	19,630,831.76	202,365,641.81
Carrying amount				
30 June 2017	1,494,265,036.11	40,412,659.35	359,851,085.31	1,894,528,780.77
1 January 2017	1,582,887,239.94	45,736,986.87	381,115,514.73	2,009,739,741.54

# NOTES TO FINANCIAL STATEMENTS

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 14. Intangible Assets (continued)

2016

	Land use rights	Software	Sea area use rights	Total
<b>Cost</b>				
1 January 2016	602,401,542.75	73,666,808.14	422,319,780.50	1,098,388,131.39
Purchase for the period	290,568.58	21,359.22	1,928,365.74	2,240,293.54
Transferred from construction in progress	1,089,092,245.05	41,518,060.50	–	1,130,610,305.55
Transferred from construction in progress	–	–	(23,119,470.00)	(23,119,470.00)
Disposal for the year	–	(1,340,880.00)	–	(1,340,880.00)
<b>31 December 2016</b>	<b>1,691,784,356.38</b>	<b>113,865,347.86</b>	<b>401,128,676.24</b>	<b>2,206,778,380.48</b>
<b>Accumulated amortization</b>				
1 January 2016	88,739,231.84	62,233,080.52	12,785,587.58	163,757,899.94
Provision for the period (Note)	20,157,884.60	7,236,160.47	7,854,143.28	35,248,188.35
Transferred from construction in progress	–	–	(626,569.35)	(626,569.35)
Disposal for the year	–	(1,340,880.00)	–	(1,340,880.00)
<b>31 December 2016</b>	<b>108,897,116.44</b>	<b>68,128,360.99</b>	<b>20,013,161.51</b>	<b>197,038,638.94</b>
<b>Carrying amount</b>				
<b>31 December 2016</b>	<b>1,582,887,239.94</b>	<b>45,736,986.87</b>	<b>381,115,514.73</b>	<b>2,009,739,741.54</b>
<b>1 January 2016</b>	<b>513,662,310.91</b>	<b>11,433,727.62</b>	<b>409,534,192.92</b>	<b>934,630,231.45</b>

Note: For the six months ended 30 June 2017, amortisation of RMB716,512.96 (2016: RMB3,546,793.20) provided for intangible assets directly related to the construction of construction in progress of the Group was capitalised in construction in progress.

As at 30 June 2017, the Group was in the process of applying for the land use right certificate of a reclaimed land with carrying amount of RMB1,070,436,263.55 (31 December 2016: RMB1,081,629,852.45).

As at 30 June 2017, the Group has no intangible assets which were from internal research and development (31 December 2016: nil).

The land use rights above are all in PRC and held under medium term lease.

# NOTES TO FINANCIAL STATEMENTS

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 15. Long-term Deferred Expenses

For the six months ended 30 June 2017 (unaudited)

	Opening balance	Increase in the period	Amortization in the period	Closing balance
Dredging costs	2,534,536.89	–	(337,938.24)	2,196,598.65
Others	29,001.70	–	(29,001.70)	–
	2,563,538.59	–	(366,939.94)	2,196,598.65

2016

	Opening balance	Increase in the year	Amortization in the year	Closing balance
Dredging costs	3,210,413.37	–	(675,876.48)	2,534,536.89
Others	376,539.02	–	(347,537.32)	29,001.70
	3,586,952.39	–	(1,023,413.80)	2,563,538.59

### 16. Deferred Tax Assets

Deferred tax assets are as without taking into consideration the offsetting balance are as follows:

	30 June 2017 (unaudited)		31 December 2016	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Government grants	329,285,935.41	82,321,483.72	332,110,009.53	83,027,502.30
Asset impairment provision	28,853,791.20	7,213,447.80	24,349,007.04	6,087,251.76
Accrued early retirement scheme	108,725,414.36	27,181,353.59	139,990,311.60	34,997,577.90
Difference between tax base and accounting base of fixed assets	112,252,536.36	28,063,134.09	161,822,083.44	40,455,520.86
	579,117,677.33	144,779,419.20	658,271,411.61	164,567,852.82



# NOTES TO FINANCIAL STATEMENTS

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16. Deferred Tax Assets (continued)

Deductible temporary differences and deductible losses of deferred tax assets which are not recognised are as follows:

	30 June 2017 (unaudited)	31 December 2016
Deductible temporary differences	6,393,016.57	3,446,225.91
Deductible losses	68,056,073.42	81,881,263.61
	74,449,089.99	85,327,489.52

The deductible losses of the deferred tax assets which are not recognised will expire in the following years:

	30 June 2017 (unaudited)	31 December 2016
2017	19,217,134.49	19,217,134.49
2018	15,394,012.12	15,394,012.12
2019	11,426,185.85	11,426,185.85
2020	9,840,145.14	9,840,145.14
2021	8,904,942.73	26,003,786.01
2022	3,273,653.09	–
	68,056,073.42	81,881,263.61

### 17. Asset Impairment Provision

For the six months ended 30 June 2017 (unaudited)

	Opening balance	Provision for the period	Decrease during the period		Closing balance
			Reversal	Write-off	
Provision for bad debts					
Including: Accounts receivable	25,194,510.22	5,348,203.93	(780,073.71)	–	29,762,640.44
Other receivables	2,600,722.73	3,575,431.03	(691,986.43)	–	5,484,167.33
Fixed assets impairment provision	6,249,464.79	–	–	(49,279.17)	6,200,185.62
	34,044,697.74	8,923,634.96	(1,472,060.14)	(49,279.17)	41,446,993.39

# NOTES TO FINANCIAL STATEMENTS

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 17. Asset Impairment Provision (continued)

2016

	Opening balance	Provision for the period	Decrease during the year		Closing balance
			Reversal	Write-off	
Provision for bad debts					
Including: Accounts receivable	15,736,495.74	9,481,896.23	(23,881.75)	–	25,194,510.22
Other receivables	27,962,127.05	145,274.71	(25,506,679.03)	–	2,600,722.73
Fixed assets impairment provision	6,250,302.24	–	–	(837.45)	6,249,464.79
	49,948,925.03	9,627,170.94	(25,530,560.78)	(837.45)	34,044,697.74

### 18. Other Non-current Assets

	30 June 2017 (unaudited)	31 December 2016
Prepayments for engineering equipment expenses	126,399,372.74	51,740,649.66

### 19. Assets with Restricted Ownership

As at 30 June 2017, except for the guarantee deposits of RMB5,151,280.00 (31 December 2016: RMB215,280.00) (1 of Note V), the Group had no other assets with restricted ownership.

### 20. Short-term Borrowings

	30 June 2017 (unaudited)	31 December 2016
Unsecured borrowings	2,201,000,000.00	1,545,000,000.00

As at 30 June 2017, the interest rate of the above borrowings ranged from 3.92% to 4.13% per annum (31 December 2015: 3.92% to 4.13%).

As at 30 June 2017, the Group has no outstanding short-term borrowings falling due (31 December 2016: nil).

# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 21. Accounts Payable

The accounts payable are interest-free and the terms are usually 90 days.

An ageing analysis of accounts payable is as follows:

	30 June 2017 (unaudited)	31 December 2016
Within 1 year	170,320,688.67	95,957,194.00
1 to 2 years	2,571,550.45	2,327,506.87
2 to 3 years	2,277,566.88	2,078,466.36
Over 3 years	2,301,193.24	2,363,402.04
	177,470,999.24	102,726,569.27

As at 30 June 2017, the Group has no significant accounts payable ageing more than 1 year (31 December 2015: nil).

### 22. Deposits Received

	30 June 2017 (unaudited)	31 December 2016
Port handling fees	456,429,128.88	469,155,549.92
Weighing fees	3,418,658.72	3,071,716.70
Others	558,158.17	108,457.39
	460,405,945.77	472,335,724.01

As at 30 June 2017, the Group has no significant accounts payable ageing more than 1 year (31 December 2016: nil).

# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 23. Employee Benefits Payable

For the six months ended 30 June 2017 (unaudited)

	Opening balance	Accrued	Paid	Closing balance
Short-term employee benefits	16,797,527.31	1,012,645,733.07	883,076,934.99	146,366,325.39
Post-employment benefits (defined contribution plans)	20,416.24	159,589,572.25	159,065,258.45	544,730.04
Early retirement schemes due within one year (29 of Note V)	68,182,767.76	25,676,398.03	38,684,617.92	55,174,547.87
	85,000,711.31	1,197,911,703.35	1,080,826,811.36	202,085,603.30

	Opening balance	Accrued	Paid	Closing balance
Salaries, bonuses, allowances and subsidies	–	764,989,585.02	640,592,001.02	124,397,584.00
Staff welfare	–	27,082,739.21	27,082,739.19	0.02
Social insurance	–	67,126,279.23	67,053,924.24	72,354.99
Including: Medical insurance	–	54,579,395.83	54,512,715.98	66,679.85
Work injury insurance	–	9,450,031.74	9,448,955.22	1,076.52
Maternity insurance	–	3,096,851.66	3,092,253.04	4,598.62
Housing funds	11,577,253.95	61,623,584.49	63,590,260.31	9,610,578.13
Union fund and employee education fund	4,235,813.83	15,415,191.84	14,905,000.01	4,746,005.66
Short-term paid leaves	–	8,196,783.76	8,196,783.76	–
Other short-term employee benefits	984,459.53	68,211,569.52	61,656,226.46	7,539,802.59
	16,797,527.31	1,012,645,733.07	883,076,934.99	146,366,325.39

Defined contribution plans are as follows:

	Opening balance	Accrued	Paid	Closing balance
Basic pension	–	130,374,385.36	130,351,447.90	22,937.46
Unemployment insurance	–	4,587,363.11	4,558,983.22	28,379.89
Enterprise annuity contribution (Note)	20,416.24	24,627,823.78	24,154,827.33	493,412.69
	20,416.24	159,589,572.25	159,065,258.45	544,730.04



# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 23. Employee Benefits Payable (continued)

2016

	Opening balance	Accrued	Paid	Closing balance
Short-term employee benefits	55,952,055.31	1,674,516,247.45	1,713,670,775.45	16,797,527.31
Post-employment benefits (defined contribution plans)	5,127.68	330,509,321.41	330,494,032.85	20,416.24
Early retirement schemes due within one year (29 of Note V)	61,532,551.19	82,828,759.20	76,178,542.63	68,182,767.76
	117,489,734.18	2,087,854,328.06	2,120,343,350.93	85,000,711.31

Short-term employee benefits are as follows:

	Opening balance	Accrued	Paid	Closing balance
Salaries, bonuses, allowances and subsidies	27,006,921.46	1,046,479,043.89	1,073,485,965.35	–
Staff welfare	–	106,635,910.21	106,635,910.21	–
Social insurance	30,809.32	132,949,380.43	132,980,189.75	–
Including: Medical insurance	30,691.05	107,741,430.07	107,772,121.12	–
Work injury insurance	118.27	17,053,931.34	17,054,049.61	–
Maternity insurance	–	8,154,019.02	8,154,019.02	–
Housing funds	19,573,183.47	188,541,241.50	196,537,171.02	11,577,253.95
Union fund and employee education fund	5,811,291.68	28,722,015.71	30,297,493.56	4,235,813.83
Short-term paid leaves	–	14,260,538.03	14,260,538.03	–
Other short-term employee benefits	3,529,849.38	156,928,117.68	159,473,507.53	984,459.53
	55,952,055.31	1,674,516,247.45	1,713,670,775.45	16,797,527.31

Defined contribution plans are as follows:

	Opening balance	Accrued	Paid	Closing balance
Basic pension	–	274,169,282.27	274,169,282.27	–
Unemployment insurance	5,127.68	15,259,809.27	15,264,936.95	–
Enterprise annuity contribution (Note)	–	41,080,229.87	41,059,813.63	20,416.24
	5,127.68	330,509,321.41	330,494,032.85	20,416.24

Note: The Group engaged an independent Third Party to operate a defined contribution pension scheme, which requires payments of fixed contribution to independent fund. According to the pension scheme, the highest payment shall not exceed the national regulations, which is within 8% of prior year's total payroll. The total payment made by the enterprise and employees shall not exceed 12% of prior year's total payroll. The Group's payment for the period is calculated at 5% of prior year's total payroll.

# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 24. Taxes Payable

	30 June 2017 (unaudited)	31 December 2016
Value-added tax	2,823,492.52	351,407.02
Enterprise income tax	2,832,633.28	29,857,892.61
Urban maintenance and construction tax	205,991.69	44,880.52
Education surcharge	147,136.91	32,057.50
Individual income tax	3,179,977.52	4,307,096.05
Others	60,335.37	137,133.85
	9,249,567.29	34,730,467.55

### 25. Interest Payable

	30 June 2017 (unaudited)	31 December 2016
Interest on bank borrowings	13,478,127.70	15,296,378.10

### 26. Dividend Payable

	30 June 2017 (unaudited)	31 December 2016
Overseas shareholders	452.17	608.34
China Ocean Shipping Tally Company (中國外輪理貨總公司)	2,134,095.47	–
Huanghua Port Qinyu Labor Service Co., Ltd. (黃驊港勤裕勞動服務有限公司)	1,654,095.47	–
	3,788,643.11	608.34

# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 27. Other Payables

	30 June 2017 (unaudited)	31 December 2016
Engineering equipment expenses	881,887,900.19	1,165,832,001.92
Sewage charges of dust	47,363,155.89	46,866,685.90
Facilities leasing expenses	7,228,383.39	–
Others	42,666,520.22	31,924,935.35
	<b>979,145,959.69</b>	<b>1,244,623,623.17</b>

As at 30 June 2017, significant other payables ageing more than 1 year are as follows (unaudited):

	Sums payable	Outstanding reason
Engineering equipment expenses payable	527,766,270.00	Not yet settled

As at 31 December 2016, significant other payables aging more than 1 year are as follows:

	Sums payable	Outstanding reason
Engineering equipment expenses payable	748,345,572.03	Not yet settled

# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 28. Long-term Borrowings

	30 June 2017 (unaudited)	31 December 2016
Unsecured borrowings	8,325,100,456.98	9,721,402,456.98
Less: long-term borrowings due within one year	407,977,164.00	1,056,586,108.28
Non-current portion	7,917,123,292.98	8,664,816,348.70

As at 30 June 2017, the interest rate of the above borrowings ranged from 4.28% to 6.15% per annum (31 December 2016: 4.28% to 6.15%).

Analysis on the maturity date of long-term borrowings is as follows:

	30 June 2017 (unaudited)	31 December 2016
Within 1 year (including 1 year) or repayment on demand	407,977,164.00	1,056,586,108.28
Within 2 years (including 2 years)	1,234,461,293.00	845,665,434.98
Within 2 to 5 years (including 5 years)	3,097,485,654.00	3,032,716,648.60
Over 5 years	3,585,176,345.98	4,786,434,265.12
	8,325,100,456.98	9,721,402,456.98

### 29. Long-term Employee Remuneration Payable

#### Other long-term employee benefits

	30 June 2017 (unaudited)	31 December 2016
Early retirement schemes payable	108,725,414.36	139,990,311.60
Including: Amount due within one year	55,174,547.87	68,182,767.76
Non-current portion	53,550,866.49	71,807,543.84



# NOTES TO FINANCIAL STATEMENTS

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 29. Long-term Employee Remuneration Payable (continued)

#### Other long-term employee benefits (continued)

Change in early retirement schemes payable are as follows:

	For the six months ended 30 June 2017 (unaudited)	2016
Early retirement schemes		
Opening balance	139,990,311.60	127,025,459.69
Increase in the period/year	7,419,720.68	89,143,394.54
Decrease in the period/year	<b>(38,684,617.92)</b>	(76,178,542.63)
Closing balance	<b>108,725,414.36</b>	139,990,311.60

Expected early retirement schemes payable of the Group in the future are as follows:

	30 June 2017 (unaudited)	2016
Undiscounted amount		
Within 1 year	55,174,547.87	68,182,767.76
1 to 2 years	28,441,257.49	39,870,377.39
2 to 3 years	14,843,993.01	19,340,746.72
Over 3 years	17,005,454.50	20,429,585.62
Unrecognised financing cost	<b>115,465,252.87</b> <b>(6,739,838.51)</b>	147,823,477.49 (7,833,165.89)
Less: Amount due within one year	<b>108,725,414.36</b> <b>55,174,547.87</b>	139,990,311.60 68,182,767.76
Long-term employee remuneration payable	<b>53,550,866.49</b>	71,807,543.84

Due to implementation of institutional reform, Group have executed early retirement plan ("Early retirement") since 2015. Eligible employees may retire from their posts on a voluntary basis. The Group has the obligation to pay early retirement pension for those early retired employees in the next 1 year to 10 years until the employees reach their statutory retirement age. The wages for early retirement are determined according to certain proportion of the average monthly wages of the early retired employees in the previous year before their official early retirement. Once confirmed, the wages for early retirement would remain unchanged for the coming years. In the meantime, the Company will make provision and pay for insurance and housing fund for those employees under local requirement for social insurance. In considering the future payment obligations of early retirement pension for employees participating in the early retirement plan, the Group recognized in the administrative expenses on a one-off basis in accordance with discounted China bond and government bond yields for the corresponding period. As at 30 June 2017 and 31 December 2016, it is expected to recognize employee remuneration payable in the amount payable within 12 months.

# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 30. Deferred Income

	30 June 2017 (unaudited)	31 December 2016
Government grants in relation to assets		
Special environmental subsidy	197,946,768.77	190,974,176.22
Subsidy for retrofitting of contingency coal storage depot	128,500,000.00	138,250,000.00
Technology center project funds	2,395,833.31	2,437,499.98
Others	63,333.33	68,333.33
Government grants in relation to income		
Technology center project funds	380,000.00	380,000.00
	329,285,935.41	332,110,009.53

As at 30 June 2017, liabilities items related to government grants are as follows (unaudited):

	Opening balance	Increase in the period	Recognised in Non-operating revenue in the period	Closing balance	Related to assets/income
Special environmental subsidy	190,974,176.22	14,852,700.00	7,880,107.45	197,946,768.77	Related to assets
Retrofitting of contingency coal storage depot	138,250,000.00	-	9,750,000.00	128,500,000.00	Related to assets
Technology center project funds	2,437,499.98	-	41,666.67	2,395,833.31	Related to assets
Others	68,333.33	-	5,000.00	63,333.33	Related to assets
Technology center project funds	380,000.00	-	-	380,000.00	Related to income
	332,110,009.53	14,852,700.00	17,676,774.12	329,285,935.41	

As at 31 December 2016, liabilities projects related to government grants are as follows:

	Opening balance	Increase in the year	Recognised in Non-operating revenue in the year	Closing balance	Related to assets/income
Special environmental subsidy	191,545,286.11	14,879,700.00	15,450,809.89	190,974,176.22	Related to assets
Retrofitting of contingency coal storage depot	157,750,000.00	-	19,500,000.00	138,250,000.00	Related to assets
Technology center project funds	2,554,166.66	-	116,666.68	2,437,499.98	Related to assets
Others	78,333.33	-	10,000.00	68,333.33	Related to assets
Technology center project funds	300,000.00	80,000.00	-	380,000.00	Related to income
	352,227,786.10	14,959,700.00	35,077,476.57	332,110,009.53	

# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 31. Share Capital

	30 June 2017 (unaudited)		31 December 2016	
	Balance	Percentage (%)	Balance	Percentage (%)
HPG	3,073,364,204.00	61.108	3,073,364,204.00	61.108
Daqin Railway Co., Ltd.	42,750,000.00	0.850	42,750,000.00	0.850
China Shipping (Group) Company	41,995,588.00	0.835	41,995,588.00	0.835
China Life Investment Holding Company Limited	41,995,588.00	0.835	41,995,588.00	0.835
Shougang Enterprises Group Co., Ltd.	41,995,588.00	0.835	41,995,588.00	0.835
Beijing Enterprises Group Company Limited	41,995,588.00	0.835	41,995,588.00	0.835
Datong Coal Mine Group Co., Ltd.	41,995,588.00	0.835	41,995,588.00	0.835
Hebei Construction & Investment Communications Investment Co., Ltd.	212,692,830.00	4.229	212,692,830.00	4.229
Qinhuangdao Municipal People's Government State-owned Assets Supervision and Administration Commission	629,824,026.00	12.523	629,824,026.00	12.523
Overseas shareholders	829,853,000.00	16.500	829,853,000.00	16.500
Qinhuangdao Port Management Office of the People's Government of Shanxi Province	30,950,000.00	0.615	30,950,000.00	0.615
	5,029,412,000.00	100.000	5,029,412,000.00	100.000

# NOTES TO FINANCIAL STATEMENTS

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 32. Capital Reserve

For the six months ended 30 June 2017 (unaudited)

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Share premium	4,499,014,774.98	–	–	4,499,014,774.98
Others	7,363,053.63	–	–	7,363,053.63
	4,506,377,828.61	–	–	4,506,377,828.61

2016

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Share premium	4,499,014,774.98	–	–	4,499,014,774.98
Others	7,888,337.83	–	(525,284.20)	7,363,053.63
	4,506,903,112.81	–	(525,284.20)	4,506,377,828.61

### 33. Special Reserve

For the six months ended 30 June 2017 (unaudited)

	Opening balance	Amount accrued in the period	Amount utilised in the period	Closing balance
Production safety expenses	18,615,022.77	28,087,865.58	(15,966,831.74)	30,736,056.61

2016

	Opening balance	Amount accrued in the year	Amount utilised in the year	Closing balance
Production safety expenses	10,884,608.51	72,633,833.05	(64,903,418.79)	18,615,022.77

Pursuant to 《關於印發〈企業生產安全費用提取和使用管理辦法〉的通知》(Cai Qi [2012] No.16) issued by the Ministry of Finance of the Peoples' Republic of China together with the State Administration of Work Safety, the Group started to accrue the safety production expenses from 2012.



# NOTES TO FINANCIAL STATEMENTS

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 34. Surplus Reserve

For the six months ended 30 June 2017 (unaudited)

	Opening balance	Amount accrued in the period	Amount utilised in the period	Closing balance
Statutory surplus reserve	1,044,974,250.76	–	–	1,044,974,250.76

2016

	Opening balance	Amount accrued in the period	Amount utilised in the period	Closing balance
Statutory surplus reserve	1,015,722,853.98	29,251,396.78	–	1,044,974,250.76

According to the requirements of the Company Law and the Articles of Association of the Company, the Company is required to appropriate 10% of its net profits to the statutory surplus reserve. In the event that the accumulated statutory surplus reserve of the Company has reached above 50% of the registered capital of the Company, additional appropriation will not be needed.

After the appropriation to statutory surplus reserve, the Company may make appropriation to the discretionary surplus reserves. Upon approval, discretionary surplus reserves can be used to make up for accumulated losses or to increase the share capital.

### 35. Retained Profits

	For the six months ended 30 June 2017 (unaudited)	2016
Retained profits at the beginning of the period/year	832,687,475.08	1,251,321,607.34
Net profit attributable to shareholders of the parent	617,038,690.18	365,029,064.52
Less: Appropriation to statutory surplus reserve	–	29,251,396.78
Cash dividend payable for common shares	–	754,411,800.00
Retained profits at the end of the period/year	1,449,726,165.26	832,687,475.08

# NOTES TO FINANCIAL STATEMENTS

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 36. Operating Revenue and Cost

Revenue, which is the Group's turnover, represents the net invoice value of goods sold net of sales returns and trade discounts; the value of the services rendered; and the gross rental income received and receivable of the Group during the Reporting Period.

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
Revenue from the principal operations	3,377,164,569.81	2,384,377,647.71
Revenue from other operations	16,464,895.21	3,881,232.11
	<b>3,393,629,465.02</b>	<b>2,388,258,879.82</b>

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
Revenue from the principal operations	1,977,080,983.41	1,796,526,478.52
Revenue from other operations	121,885,017.92	1,494,318.21
	<b>2,098,966,001.33</b>	<b>1,798,020,796.73</b>

Revenue is as follows:

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
Revenue from service in relation to coal and relevant products	2,462,059,961.48	1,753,399,467.00
Revenue from service in relation to metal ore and relevant products	618,398,613.80	343,115,056.39
Revenue from service in relation to general and other cargoes	94,956,502.28	88,850,276.36
Revenue from container service	62,032,102.65	62,920,848.44
Revenue from service in relation to liquefied cargoes	33,351,974.35	30,719,188.12
Revenue from others	122,830,310.46	109,254,043.51
	<b>3,393,629,465.02</b>	<b>2,388,258,879.82</b>

# NOTES TO FINANCIAL STATEMENTS

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 37. Business Tax and Surcharges

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
Business tax	–	698,616.79
Urban maintenance and construction tax and education surcharge	12,259,653.65	10,547,797.71
Land use tax	29,159,146.04	–
Real estate tax	6,040,736.32	–
Stamp duty	811,351.47	–
Vehicles and vessels use tax	335,987.92	–
	<b>48,606,875.40</b>	<b>11,246,414.50</b>

Please refer to Note IV. Taxation for tax base of business tax and surcharge.

In 2016, according to the requirements of the Regulations on Accounting Treatment of VAT (《增值稅會計處理規定》) (Cai Hui [2016] No.22), the Group changed the item of “business tax and surcharges” in the income statement to “tax and surcharges”. The property tax, land use tax, vehicle use tax, stamp duty and other relevant taxes incurred during the operation activities of the enterprises from 1 May 2016 shall be accounted for in “tax and surcharges” instead of “administrative expenses”, and those incurred before 1 May 2016 shall be accounted for in “administrative expenses”.

### 38. Administrative Expenses

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
Payroll	311,361,814.93	241,595,896.68
Early retirement schemes	7,419,720.68	38,502,384.05
Depreciation and amortisation	28,092,249.29	28,914,055.11
Tax expenses	–	33,200,262.03
Rental expenses	4,416,579.11	4,372,110.21
Repair and maintenance expenses	4,370,916.23	5,258,431.43
Office charges	7,203,247.79	5,501,764.38
Epidemic prevention expenses	4,106,179.85	4,692,466.13
Travel expenses	4,162,184.23	4,186,007.45
Business entertainment expenses	2,293,252.04	1,689,372.00
Others	21,353,933.87	19,008,917.94
	<b>394,780,078.02</b>	<b>386,921,667.41</b>

# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 39. Financial Cost

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
Interest expenses	265,113,866.06	288,228,135.02
Including: interest on bank loans repayable within 5 years	187,199,473.49	188,729,708.97
interest on other loans	77,914,392.57	99,498,426.05
Less: interest income	14,825,257.60	15,411,183.60
Less: capitalised interest	83,977,774.61	153,052,041.80
Foreign exchange loss/(gain)	5,722,962.23	(3,870,608.59)
Others	244,164.62	241,988.84
	<b>172,277,960.70</b>	<b>116,136,289.87</b>

The amount of capitalised borrowing costs has been included in construction in progress.

### 40. Asset Impairment Loss

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
Provision for bad debts	7,451,574.82	(25,941,805.98)

### 41. Investment Income

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
Dividend income on holding available-for-sale financial assets	4,172,048.94	5,636,500.00
Long-term equity investment income accounted for under the equity method	58,013,552.45	60,302,892.05
Including: Investment income from associates	68,762,281.35	62,317,747.87
Investment income from joint ventures	(10,748,728.90)	(2,014,855.82)
Interest income on wealth management products (8 of Note V)	1,475,785.40	1,244,016.44
Investment income from disposal of subsidiaries (Note VI)	18,707,258.64	–
	<b>82,368,645.43</b>	<b>67,183,408.49</b>

All of the above investment income of the Group was derived from non-listing investment.



# NOTES TO FINANCIAL STATEMENTS

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 42. Other Income

The government subsidies included in other income are as follows:

	For the six months ended 30 June 2017 (unaudited)	Related to assets/income
Employment subsidy (Note)	29,115,886.37	Related to income
Retrofitting of contingency coal storage depot	9,750,000.00	Related to assets
Special environmental subsidy	7,880,107.45	Related to assets
Others	867,126.67	Related to assets and income
	47,613,120.49	

Note: Pursuant to the Opinion on the Use of Unemployment Insurance Benefits and Employment Subsidy (《關於使用失業保險金援企穩崗的意見》) (Ji Zheng Ban Han [2014] No. 18) issued by the General Office of the People's Government of Hebei Province, the Notice on Issues Concerning Carrying out the Enterprises' Reporting on Unemployment Insurance Benefits and Employment Subsidy and Job Confirmation (《關於貫徹落實<關於做好失業保險金援企穩崗工作的實施意見>有關問題的通知》) (Qin Ren She [2016] No. 169) promulgated by the Bureau of Human Resources & Social Securities of Qinhuangdao, the Group received the government subsidy of RMB29,115,886.37 for the six months ended 30 June 2017.

### 43. Non-operating Income

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
Gain on disposal of non-current assets	255,748.32	237,851.68
Including: Gain on disposal of fixed assets	255,748.32	237,851.68
Government grants	–	17,249,415.13
Others	1,560,332.79	150,450.30
	1,816,081.11	17,637,717.11

# NOTES TO FINANCIAL STATEMENTS

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 44. Non-operating Expenses

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
Losses on disposal of non-current assets	6,581,203.31	352,751.44
Including: Losses on disposal of fixed assets	2,393,990.31	352,751.44
Losses on disposal of intangible assets	4,187,213.00	–
Late payment	525,435.79	2,417,202.23
Others	159,441.95	104,599.47
	7,266,081.05	2,874,553.14

### 45. Expense by Nature

The supplemental information to the Group's operating costs, administrative expenses and selling expenses by nature are as follows:

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
Payroll	1,155,882,754.37	1,003,860,238.85
Depreciation and amortisation	591,700,206.51	524,933,363.98
Power and fuel costs	150,132,497.82	113,631,017.45
Consumption expense of machinery	89,105,347.75	77,344,761.93
Rental expenses	66,046,550.19	81,243,001.90
Environmental protection and sewage charges	95,191,887.67	67,269,642.67
Repair and maintenance expenses	212,342,949.52	165,656,097.84
Tax	–	33,200,262.03
Others	133,343,885.52	117,876,628.53
	2,493,746,079.35	2,185,015,015.18

# NOTES TO FINANCIAL STATEMENTS

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 46. Income Tax Expense

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
Current income tax expenses	154,618,560.86	29,345,054.58
Deferred income tax expenses	19,788,433.62	14,481,462.75
	<b>174,406,994.48</b>	<b>43,826,517.33</b>

The relationship between income tax expenses and the total profit is as follows:

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
Total profit	796,078,740.73	183,749,538.71
Income tax expenses calculated at the statutory tax rate	199,019,685.18	45,937,384.68
Effect of different tax rates of subsidiaries	(9,121,183.10)	(619.43)
Income not subject to tax	(1,043,012.24)	(1,409,125.00)
Investment income from associates and joint ventures	(14,503,388.11)	(15,075,723.01)
Expenses not deductible for tax	578,561.89	2,060,819.88
Unrecognised deductible losses	(163,077.37)	(127,416.29)
Unrecognised deductible temporary difference	818,413.27	1,675,143.18
Adjustments in respect of income tax of previous periods	1,452,175.84	8,518,714.22
Others	(2,631,180.88)	2,247,339.10
Income tax expenses calculated at the Group's effective tax rate	<b>174,406,994.48</b>	<b>43,826,517.33</b>

# NOTES TO FINANCIAL STATEMENTS

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 47. Other Comprehensive Income

Accumulated balance of other comprehensive income attributable to the parent company in the balance sheet:

	1 January 2017	Increase/(decrease)	30 June 2017 (unaudited)
Exchange differences arising from translation of foreign currency denominated financial statements	4,623,646.56	(1,332,112.39)	3,291,534.17
	1 January 2016	Increase/(decrease)	31 December 2016
Exchange differences arising from translation of foreign currency denominated financial statements	1,788,437.76	2,835,208.80	4,623,646.56

Amount of other comprehensive income in the income statement for the current period:

	Amount before tax	Less: Transfer to profit or loss previously recognised	Less: Income tax	Attributable to the parent company	Attributable to minority interest
For the six months ended 30 June 2017 (unaudited)					
Exchange differences arising from translation of foreign currency denominated financial statements	(1,332,112.39)	-	-	(1,332,112.39)	-
2016					
Exchange differences arising from translation of foreign currency denominated financial statements	2,835,208.80	-	-	2,835,208.80	-



# NOTES TO FINANCIAL STATEMENTS

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 48. Earnings per Share

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue. The number of newly issued ordinary shares is calculated and determined based on the specific terms of issuance contracts from the date of the consideration receivable (normally the stock issue date).

The calculation of the basic earnings per share is as follows:

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
Earnings		
Net profit for the period attributable to ordinary shareholders of the Company	617,038,690.18	137,363,835.19
Shares		
Weighted average number of ordinary shares in issue of the Company	5,029,412,000.00	5,029,412,000.00

For the six months ended 30 June 2017, the Company had no dilutive potential ordinary shares in issue (for the six months ended 30 June 2016: nil).

# NOTES TO FINANCIAL STATEMENTS

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 49. Supplemental Information to Statement of Cash Flows

#### (1) Supplemental Information to Statement of Cash Flows

Reconciliation of net profit to cash flows from operating activities:

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
Net profit	621,671,746.25	139,923,021.38
Add: Asset impairment loss	7,451,574.82	(25,941,805.98)
Fixed assets depreciation	567,762,531.27	512,109,030.37
Amortisation of intangible assets	23,496,635.30	11,841,746.71
Amortisation of investment property	74,100.00	74,100.00
Amortisation of long-term deferred expenses	366,939.94	908,486.90
Amortisation of deferred income	(17,676,774.12)	(16,756,591.62)
Losses on disposal of fixed assets, intangible assets and other long-term assets	6,325,454.99	114,899.76
Financial costs	186,859,053.68	131,305,484.63
Investment income	(82,368,645.43)	(67,183,408.49)
Decrease in deferred income tax assets	19,788,433.62	14,481,462.75
Increase in inventories	(17,111,373.94)	(11,219,359.93)
Increase in other current assets	(20,433,652.36)	(27,363,443.46)
Decrease/(increase) in operating receivables	6,439,664.27	(27,485,557.20)
(Increase)/decrease in operating payables	185,436,533.49	(67,930,284.33)
Increase in special reserve	10,144,490.42	9,198,174.98
<b>Net cash flows from operating activities</b>	<b>1,498,226,712.20</b>	<b>576,075,956.47</b>

Net movements in cash and cash equivalents:

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
Balances of cash at end of the period	2,568,495,883.34	2,347,374,228.08
Less: Balances of cash at beginning of the period	1,149,805,681.56	1,376,457,026.65
<b>Net increase in cash and cash equivalents</b>	<b>1,418,690,201.78</b>	<b>970,917,201.43</b>

# NOTES TO FINANCIAL STATEMENTS

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 49. Supplemental Information to Statement of Cash Flows (continued)

#### (2) Information of disposal subsidiaries

##### Information of disposal subsidiaries

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
Considerations for disposal subsidiaries	588,540,441.38	–
Cash and cash equivalents received from disposal subsidiaries	514,807,012.80	–
Less: Cash and cash equivalents acquired from subsidiaries	12,006,241.37	–
Net cash inflow in the disposal subsidiaries	502,800,771.43	–

#### (3) Cash and cash equivalents

	30 June 2017 (unaudited)	30 June 2016 (unaudited)
Cash	2,568,495,883.34	2,347,374,228.08
Including: Cash on hand	138,898.47	129,195.22
Bank deposits on demand	2,568,356,984.87	2,347,245,032.86
Balance of cash and cash equivalents at the end of the period	2,568,495,883.34	2,347,374,228.08

# NOTES TO FINANCIAL STATEMENTS

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## V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 50. Foreign Currency Monetary Items

	30 June 2017 (unaudited)			31 December 2016		
	Original currency	Exchange rate	Translated RMB	Original currency	Exchange rate	Translated RMB
Cash and bank balance						
US\$	5,207,241.17	6.7744	35,270,837.93	5,206,977.92	6.9370	36,120,415.57
EUR	488.74	7.7496	3,787.54	488.74	7.3068	3,571.13
HK\$	233,411,024.72	0.8679	202,582,096.58	236,374,619.10	0.8945	211,439,460.53
Dividend payable						
HK\$	520.98	0.8679	452.17	680.08	0.8945	608.34
Accounts payable						
US\$	42,472.65	6.7744	294,632.77	73,979.71	6.9370	513,197.25
HK\$	-	-	-	1,387,552.42	0.8945	1,241,179.52
Other payable						
HK\$	61,643.43	0.8679	53,501.56	61,643.43	0.8945	55,140.66
Other receivables						
HK\$	820.98	0.8679	712.54	980.08	0.8945	876.69
US\$	10,000.00	6.7744	67,321.60	10,000.00	6.9370	69,384.10
Tax payable						
HK\$	47,995.92	0.8679	41,656.62	47,995.92	0.8945	42,932.83



# NOTES TO FINANCIAL STATEMENTS

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## VI. CHANGES IN THE CONSOLIDATION SCOPE

### 1. Disposal Subsidiaries

	Place of incorporation	Nature of business	Percentage of shareholding	Percentage of voting rights	Reason for not being a subsidiary
Cangzhou Bohai Jinji Container Terminal Co., Ltd.* (滄州渤海津冀集裝箱碼頭有限公司)	Cangzhou city	Loading and unloading services	100%	100%	Note

Note: Cangzhou Bohai Port Co., Ltd. (滄州渤海港務有限公司), a owned subsidiary of the Group, Bohai Jin-Ji Port Investment and Development Company Limited (渤海津冀港口投資發展有限公司) entered into the equity transfer agreements with the Company on 17 May 2017 for the transfer of 90% of the equity of Cangzhou Bohai Jinji Container Terminal Co., Ltd. (滄州渤海津冀集裝箱碼頭有限公司) held by Cangzhou Bohai Port Co., Ltd. to Bohai Jin-Ji Port Investment and Development Company Limited, at the consideration of RMB529,686,397.24, and for the transfer of 10% of the equity of Cangzhou Bohai Jinji Container Terminal Co., Ltd. held by Cangzhou Bohai Port Co., Ltd to Qinhuangdao Port Co., Ltd (秦皇島港股份有限公司) at the consideration of RMB58,854,044.14. The date of the disposals was 31 May 2017. As such, since 1 June 2017, the Group has not included Cangzhou Bohai Jinji Container Terminal Co., Ltd. in the scope of consolidation. The relevant financial information of Cangzhou Bohai Jinji Container Terminal Co., Ltd. is as follows:

	31 May 2017 Carrying amount (unaudited)	31 December 2016 Carrying amount
Current assets	43,815,661.05	25,270,558.68
Non-current assets	1,532,113,341.79	1,569,781,083.50
Current liabilities	(15,195,820.10)	(63,834,837.16)
Non-current liabilities	(990,900,000.00)	(930,900,000.00)
	569,833,182.74	600,316,805.02
Gain on disposal	18,707,258.64	
Disposal consideration	588,540,441.38	
		From 1 January 2016 to 31 May 2017
Revenue		21,388,808.58
Cost		60,605,452.24
Net loss		(58,991,881.68)

# NOTES TO FINANCIAL STATEMENTS

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## VII. INTERESTS IN OTHER ENTITIES

### 1. Interests in Subsidiaries

The subsidiaries of the Company are as follows:

	Place of Principal business	Place of incorporation	Nature of business	Registered capital RMB'000	Percentage of shareholdings	
					Direct(%)	Indirect(%)
<b>Subsidiaries acquired through the equity contribution from HPG during the establishment of the Company</b>						
Qinhuangdao Ruigang Technology Import & Export Co., Ltd. (秦皇島瑞港技術進出口有限公司)	Qinhuangdao city	Qinhuangdao city	Accessories sales	1,000	100.00	–
Qinhuangdao Xin'gangwan Container Terminal Co.Ltd (秦皇島港新港灣集裝箱碼頭有限公司)	Qinhuangdao city	Qinhuangdao city	Loading and unloading services	40,000	55.00	–
Cangzhou Bohai Port Co., Ltd (滄州渤海港務有限公司)	Cangzhou city	Cangzhou city	Loading and unloading services	255,100	96.08	–
<b>Subsidiaries acquired through establishment or investment</b>						
Tangshan Caofeidian Coal Port Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	Tangshan city	Tangshan city	Loading and unloading services	180,000	51.00	–
Cangzhou Huanghuagang Mineral Port Co., Ltd. (滄州黃驊港礦石港務有限公司)	Cangzhou city	Cangzhou city	Loading and unloading services	196,000	98.47	–
Cangzhou Ocean Shipping Tally Co., Ltd. (滄州中理外輪理貨有限公司)	Cangzhou city	Cangzhou city	Cargo tallying services	500	33.00	23.00
Tangshan Caofeidian Jigang Coal Port Co., Ltd. (唐山曹妃甸冀港煤炭港務有限公司)	Tangshan city	Tangshan city	Loading and unloading services	5,000	99.00	–
Cangzhou Huanghuagang Crude Oil Port Co., Ltd. (滄州黃驊港原油港務有限公司)	Cangzhou city	Cangzhou city	Loading and unloading services	5,000	65.00	–
Qinhuangdao Port GangSheng (Hong Kong) Co., Limited (秦皇島港盛(香港)有限公司)	Hong Kong	Hong Kong	International trade	HK\$50,000,000	100.00	–
Tangshan Port Investment & Development Co., Ltd. (唐山港口投資開發有限公司)	Tangshan city	Tangshan city	Port investment	200,000	56.00	–
Cangzhou Huanghuagang Coal Port Co., Ltd. (滄州黃驊港煤炭港務有限公司)	Cangzhou city	Cangzhou city	Loading and unloading services	5,000	100.00	–
Tangshan Caofeidian Ocean Shipping Tally Co., Ltd. (唐山曹妃甸中理外輪理貨有限公司)	Tangshan city	Tangshan city	Cargo tallying services	300	–	100.00
Handan Ocean Shipping Tally Co., Ltd. (邯鄲中理理貨有限公司)	Handan city	Handan city	Cargo tallying services	200	–	100.00
唐山曹妃甸冀港通用港務有限公司	Tangshan city	Tangshan city	Loading and unloading services	5,000	100.00	–
<b>Subsidiaries acquired through the merger of enterprises under common control</b>						
Qinhuangdao Ocean Shipping Tally Co., Ltd. (秦皇島中理外輪理貨有限責任公司)	Qinhuangdao city	Qinhuangdao city	Cargo tallying services	1,274.04	84.00	–

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## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in Subsidiaries (continued)

Subsidiaries with significant minority interests are as follows:

For the six months ended 30 June 2017 (unaudited)

	Percentage of Shareholding of minority shareholders	Profit or loss attributable to minority shareholders	Dividend paid to minority shareholders	Accumulated minority interests at the end of period
Tangshan Caofeidian Coal Port Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	49.00%	2,112,899.09	–	889,850,633.65

2016

	Percentage of Shareholding of minority shareholders	Profit or loss attributable to minority shareholders	Dividend paid to minority shareholders	Accumulated minority interests at the end of year
Tangshan Caofeidian Coal Port Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	49.00%	1,585,885.98	–	887,737,734.56

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## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in Subsidiaries (continued)

The following table illustrates the summarized financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	30 June 2017 (unaudited)	31 December 2016
Current assets	330,946,969.22	247,795,124.79
Non-current assets	5,244,986,289.72	5,097,506,158.30
<b>Total assets</b>	<b>5,575,933,258.94</b>	<b>5,345,301,283.09</b>
Current liabilities	579,312,664.64	772,241,272.03
Non-current liabilities	3,180,598,892.98	2,761,350,348.70
<b>Total liabilities</b>	<b>3,759,911,557.62</b>	<b>3,533,591,620.73</b>

  

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
Revenue	–	–
Net profit	4,312,038.96	3,236,500.00
Total comprehensive income	4,312,038.96	3,236,500.00
Net cash flows from operating activities	–	–



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## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Interests in Joint Ventures and Associates

	Place of Principle business	Place of incorporation	Nature of business	Registered capital RMB'000	Percentage of shareholding (%)		Accounting treatment
					Direct	Indirect	
Joint ventures							
Bohai Jin-Ji Port Investment and Development Company Limited (渤海津冀港口投資發展有限公司)	Tianjin City	Tianjin City	Investment and development	200,000	50.00	–	Equity method
Cangzhou Bohai Jinji Container Terminal Co., Ltd (滄州渤海津冀集裝箱碼頭有限公司)	Cangzhou City	Cangzhou City	Loading and unloading services	10,000	10.00	45.00	Equity method
Associates							
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	Qinhuangdao city	Qinhuangdao city	Quality inspection	400	40.00	–	Equity method
Hebei Port Group Finance Co., Ltd. (河北港口集團財務有限公司)	Qinhuangdao city	Qinhuangdao city	Financial services	50,000	40.00	–	Equity method
Tangshan Caofeidian Shiye Port Co., Ltd., (唐山曹妃甸實業港務有限公司)	Tangshan City	Tangshan City	Loading and unloading services	200,000	35.00	–	Equity method
Qinhuangdao Xing'ao Qin'gang Energy Storage & Transportation Co., Ltd. (秦皇島興奧秦港能源儲運有限公司)	Qinhuangdao city	Qinhuangdao city	Energy services	5,000	40.00	–	Equity method
Handan International Land Port Co., Ltd. (邯鄲國際陸港有限公司)	Handan city	Handan city	Logistic services	80,000	–	20.00	Equity method
Tangshan Jingtang Railway Co., Ltd. (唐山京唐鐵路有限公司)	Tangshan City	Tangshan City	Railway construction and operation	120,000	16.67	–	Equity method
Cangzhou Bohai New Zone Gangxing Tugboat Co., Ltd. (滄州渤海新區港興拖輪有限公司)	Cangzhou city	Cangzhou city	Tugging services	40,573.43	–	35.00	Equity method

# NOTES TO FINANCIAL STATEMENTS

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## VII. INTERESTS IN OTHER ENTITIES(CONTINUED)

### 2. Interests in Joint Ventures and Associates (continued)

The following table sets forth the financial information of Bohai Jin-Ji Port Investment and Development Company Limited (渤海津冀港口投資發展有限公司) (“Bohai Jin-Ji”), a significant joint venture of the Group and Tianjin Port (Group) Co., Ltd. (天津港(集團)有限公司) (“Tianjin Port Group”) in consideration of opportunities for strategic development of synergetic development in Beijing, Tianjin and Hebei, which was established in 2014. The Group adopted equity method to measure as there is no significant difference between the accounting policy of Bohai Jin-Ji and that of the Group.

	30 June 2017 (unaudited)	31 December 2016
Current assets	259,714,258.96	177,841,354.49
Including: Cash and cash equivalents	259,689,058.96	177,836,154.49
Non-current assets	549,142,701.62	643,742.38
<b>Total assets</b>	<b>808,856,960.58</b>	<b>178,485,096.87</b>
Current liabilities	49,500,443.12	74,304.75
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>49,500,443.12</b>	<b>74,304.75</b>
Owners' equity	759,356,517.46	178,410,792.12
Share of net assets in proportion to shareholding	379,678,258.73	89,205,396.06
Carrying amount of investment	379,678,258.73	89,205,396.06
	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
Revenue	-	-
Administrative expenses	8,723,685.97	5,502,921.04
Financial cost – interest income	663,785.93	1,473,239.08
Financial cost – interest expense	-	-
Income tax expense	-	-
Net profit	(19,054,274.66)	(4,029,711.63)
Including: Net profit attributable to the parent	(19,054,274.66)	(4,029,711.63)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(19,054,274.66)</b>	<b>(4,029,711.63)</b>

# NOTES TO FINANCIAL STATEMENTS

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## VII. INTERESTS IN OTHER ENTITIES(CONTINUED)

### 2. Interests in Joint Ventures and Associates (continued)

The following table sets forth the financial information of Tangshan Caofeidian Shiye Port Co., Ltd., (唐山曹妃甸實業港務有限公司) (“Caofeidian Shiye”) and Hebei Port Group Finance Company Limited (河北港口集團財務有限公司) (“Finance Company”), which are the significant associates of the Group. Located in Caofeidian Port Zone, Caofeidian Shiye was established in 2002 and it provides strong support to the Group for its development into one of the most important port operators in Bohai Rim. Hebei Port Finance Company was established in 2014 and it provides the Group with financial services including deposit-taking, loan-offering and settlement services. The Group adopted equity method to measure as there is no significant difference between the financial policy of these companies and that of the Group.

30 June 2017 (unaudited)

	Caofeidian Shiye	Finance Company
Current assets	2,281,086,611.24	2,466,932,524.34
Including: Cash and cash equivalents	801,834,038.27	2,241,165,839.02
Non-current assets	5,531,144,316.21	1,018,789,510.61
Total assets	7,812,230,927.45	3,485,722,034.95
Current liabilities	2,737,459,198.47	2,924,118,910.16
Non-current liabilities	2,160,775,968.57	–
Total liabilities	4,898,235,167.04	2,924,118,910.16
Minority interest	40,437,765.02	–
Equity attributable to shareholders of the parent	2,873,557,995.39	561,603,124.79
Share of net assets in proportion to shareholding	1,005,745,298.39	224,641,249.92
Carrying amount of investment	1,005,745,298.39	224,641,249.92

For the six months ended 30 June 2017 (unaudited)

	Caofeidian Shiye	Finance Company
Revenue	795,363,105.30	56,274,019.95
Administrative expenses	71,020,194.23	–
Financial cost – interest income	3,532,556.13	–
Financial cost – interest expense	90,447,534.71	–
Income tax expense	58,497,214.85	5,647,550.15
Net profit	179,471,623.75	16,824,344.74
Including: Net profit attributable to the parent	180,217,602.69	16,824,344.74
Other comprehensive income	–	–
Total comprehensive income	179,471,623.75	16,824,344.74

# NOTES TO FINANCIAL STATEMENTS

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## VII. INTERESTS IN OTHER ENTITIES(CONTINUED)

### 2. Interests in Joint Ventures and Associates (continued)

31 December 2016

	Caofeidian Shiye	Finance Company
Current assets	1,986,630,964.96	4,323,026,010.44
Including: Cash and cash equivalents	595,827,049.47	3,106,954,406.97
Non-current assets	5,670,232,830.38	88,449,066.70
<b>Total assets</b>	<b>7,656,863,795.34</b>	<b>4,411,475,077.14</b>
Current liabilities	2,300,675,241.08	3,866,696,297.09
Non-current liabilities	2,387,775,968.57	–
<b>Total liabilities</b>	<b>4,688,451,209.65</b>	<b>3,866,696,297.09</b>
Minority interest	41,183,743.97	–
Equity attributable to shareholders of the parent	2,927,228,841.72	544,778,780.05
Share of net assets in proportion to shareholding	1,024,530,094.60	217,911,512.02
Carrying amount of investment	1,024,530,094.60	217,911,512.02

For the six months ended 30 June 2016 (unaudited)

	Caofeidian Shiye	Finance Company
Revenue	761,710,731.33	32,675,767.95
Administrative expenses	75,376,756.54	–
Financial cost – interest income	3,362,362.45	–
Financial cost – interest expense	107,096,204.47	–
Income tax expense	37,713,009.27	17,270.35
Net profit	190,417,590.24	(4,308,465.41)
Including: Net profit attributable to the parent	190,922,758.70	(4,308,465.41)
Other comprehensive income	–	–
<b>Total comprehensive income</b>	<b>190,417,590.24</b>	<b>(4,308,465.41)</b>



# NOTES TO FINANCIAL STATEMENTS

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## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Interests in Joint Ventures and Associates (continued)

The following table sets forth the aggregated financial information of associates that are insignificant to the Group:

	30 June 2017 (unaudited)	31 December 2016
Joint venture		
Total carrying amount of investment	57,632,698.72	–
Total amount of the following items calculated in the Group's equity proportion:		
Net profit	(1,221,591.57)	–
Other comprehensive income	–	–
Total comprehensive income	(1,221,591.57)	–
Associates		
Total carrying amount of investment	260,377,068.30	211,574,885.79
Total amount of the following items calculated in the Group's equity proportion:		
Net profit	(1,043,617.49)	(7,157,541.01)
Other comprehensive income	–	–
Total comprehensive income	(1,043,617.49)	(7,157,541.01)

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

### 1. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

#### Financial assets

	30 June 2017 (unaudited)		31 December 2016	
	Loans and receivables	Available-for-sale financial assets	Loans and receivables	Available-for-sale financial assets
Cash and bank balances	2,802,759,483.34	–	1,857,032,961.56	–
Bills receivable	64,801,279.09	–	90,586,781.68	–
Dividends receivable	88,172,048.94	–	–	–
Accounts receivable	151,184,765.15	–	150,073,233.50	–
Other receivables	70,186,178.98	–	3,521,654.23	–
Other current assets	–	122,000,000.00	–	–
Available-for-sale financial assets	–	710,376,014.95	–	710,376,014.95
	3,177,103,755.50	832,376,014.95	2,101,214,630.97	710,376,014.95

# NOTES TO FINANCIAL STATEMENTS

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## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 1. Financial Instruments by Category (continued)

#### Financial liabilities

	30 June 2017 unaudited) Other financial liabilities	31 December 2016  Other financial liabilities
Short-term borrowings	2,201,000,000.00	1,545,000,000.00
Accounts payable	177,470,999.24	102,726,569.27
Interest payable	13,478,127.70	15,296,378.10
Dividends payable	3,788,643.11	608.34
Other payables	931,782,803.80	1,193,825,877.83
Non-current liabilities due within one year	407,977,164.00	1,056,586,108.28
Long-term borrowings	7,917,123,292.98	8,664,816,348.70
	<b>11,652,621,030.83</b>	<b>12,578,251,890.52</b>

### 2. Transfer of Financial Assets

#### Continuing involvement in transferred financial assets derecognised generally

As at 30 June 2017, the Group has endorsed bank acceptance notes with a carrying amount of RMB4,800,000.00 (31 December 2016: RMB59,155,255.64元) to suppliers to settle the amounts payable. As at 30 June 2017, for notes due within 1 to 6 months, if acceptance banks dishonored the notes, endorsees shall have the right to turn to the Group for recourse ("Continuing Involvement") according to the Law of Bill. The Group considered that substantially all the risk and reward of the notes have been transferred. Therefore, the Group has derecognised carrying amounts of the notes and the related accounts payable that have been settled. The maximum loss and the undiscounted cash flow of Continuing Involvement and repurchase equal to the carrying amounts of the notes. The Group considers that the fair value of Continuing Involvement is insignificant.

For the six months ended 30 June 2017, the Group did not recognise any profit or loss at the date of transfer. The Group had no current or accumulated income or expense related to Continuing Involvement of financial assets which had been derecognised.

# NOTES TO FINANCIAL STATEMENTS

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## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 3. Risks Arising from Financial Instruments

The Group's principal financial instruments comprise bank borrowings and cash and bank balances etc. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable and accounts payable, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk. Risk management policy employed by the Group are summarised below:

#### Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, balances of accounts receivable are monitored on an ongoing basis to ensure that the Group's exposure to bad debt is not significant. For transactions that are not settled in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Department of Credit Control in the Group.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, bills receivable, dividends receivable and other receivables, etc., arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customers. As at 30 June 2017, there is a concentration of specific credit risk within the Group as 29% (31 December 2016: 39% and 67%) of the Group's accounts receivables were due from a single customers. The Group did not hold any collateral or other credit enhancements over the balances of accounts receivables.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivables are disclosed in 3. Accounts receivables and 6. Other receivables of Note V.

As at 30 June 2017 and 31 December 2016, there are no amounts receivable that were neither past due nor impaired, and aging analysis on amounts receivable that were past due but not impaired of the Group.

#### Liquidity risk

The Group manages its risk of deficiency of funds using a recurring liquidity planning tool. This tool considers both the maturity of its financial instruments and expected cash flows from the Group's operations.

The Group's objective is to maintain a balance between continuity and flexibility of funding through the use of various funding means, such as bank borrowings. As at 30 June 2017, 25% (31 December 2016: 23%) of the Group's interest-bearing liabilities are due within one year.

# NOTES TO FINANCIAL STATEMENTS

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## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 3. Risks Arising from Financial Instruments (continued)

#### Liquidity risk (continued)

The table below summarises the maturity profile of financial liabilities based on the undiscounted contractual cash flows:

30 June 2017 (unaudited)

	On demand	Within 1 year	1 to 5 years	Over 5 years	Total
Accounts payable	-	177,470,999.24	-	-	177,470,999.24
Interest payable	-	13,478,127.70	-	-	13,478,127.70
Dividends payable	452.17	3,788,190.94	-	-	3,788,643.11
Other payables	49,894,903.61	881,887,900.19	-	-	931,782,803.80
Short-term borrowings	-	2,224,534,073.96	-	-	2,224,534,073.96
Non current liabilities					
due within one year	-	417,662,096.30	-	-	417,662,096.30
Long-term borrowings	-	485,706,638.04	5,229,861,331.82	4,010,839,965.33	9,726,407,935.19
	49,895,355.78	4,204,528,026.37	5,229,861,331.82	4,010,839,965.33	13,495,124,679.30

31 December 2016

	On demand	Within 1 year	1 to 5 years	Over 5 years	Total
Accounts payable	-	102,726,569.27	-	-	102,726,569.27
Interest payable	-	15,296,378.10	-	-	15,296,378.10
Dividends payable	608.34	-	-	-	608.34
Other payables	27,993,875.91	1,165,832,001.92	-	-	1,193,825,877.83
Short-term borrowings	-	1,578,144,504.79	-	-	1,578,144,504.79
Non current liabilities					
due within one year	-	1,082,472,113.65	-	-	1,082,472,113.65
Long-term borrowings	-	461,379,616.89	5,190,381,952.55	5,626,057,730.76	11,277,819,300.20
	27,994,484.25	4,405,851,184.62	5,190,381,952.55	5,626,057,730.76	15,250,285,352.18



# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 3. Risks Arising from Financial Instruments (continued)

#### Market risk

##### *Interest rate risk*

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing liabilities with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

The table below is a sensitivity analysis of interest rate risk. It reflects the impact on net profit or loss (through the impact on floating rate borrowings) and other comprehensive income net of tax when a reasonably possible change in interest rates occurs, with all other variables held constant.

	Increase/ (decrease) in basis point	Increase/ (decrease) in net profit/loss	Increase/ (decrease) in other comprehensive income, net of tax	Increase/ (decrease) in total shareholder's equity
For the six months ended 30 June 2017 (unaudited)				
RMB	50	(27,218,955.00)	–	(27,218,955.00)
RMB	(50)	27,218,955.00	–	27,218,955.00
For the six months ended 30 June 2016 (unaudited)				
RMB	50	(22,034,375.00)	–	(22,034,375.00)
RMB	(50)	22,034,375.00	–	22,034,375.00

# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 3. Risks Arising from Financial Instruments (continued)

#### Market risk (continued)

##### Exchange rate risk

The Group's exposure to the exchange rate risk relates primarily to the Group's foreign currency bank deposits and payables denominated in foreign currency. The table below is a sensitivity analysis of exchange rate risk. It reflects the impact on net profit or loss and other comprehensive income net of tax when a reasonably possible change in exchange rate of HK\$ and US\$ occurred, with all other variables held constant.

	Increase/ (decrease) in basis point	Increase/ (decrease) in net profit/loss	Increase/ (decrease) in other comprehensive income, net of tax	Increase/ (decrease) in total shareholder's equity
<b>For the six months ended 30 June 2017 (unaudited)</b>				
If the RMB strengthens against the HK\$	1%	(1,457,105.03)	(61,861.38)	(1,518,966.41)
If the RMB strengthens against the US\$	1%	(262,826.45)	–	(262,826.45)
If the RMB weakens against the HK\$	(1%)	1,457,105.03	61,861.38	1,518,966.41
If the RMB weakens against the US\$	(1%)	262,826.45	–	262,826.45
<b>For the six months ended 30 June 2016 (unaudited)</b>				
If the RMB strengthens against the HK\$	1%	(1,456,338.44)	(321,117.77)	(1,777,456.21)
If the RMB strengthens against the US\$	1%	1,611.10	–	1,611.10
If the RMB weakens against the HK\$	(1%)	1,456,338.44	321,117.77	1,777,456.21
If the RMB weakens against the US\$	(1%)	(1,611.10)	–	(1,611.10)

# NOTES TO FINANCIAL STATEMENTS

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## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 3. Risks Arising from Financial Instruments (continued)

#### Capital management

The primary objective of the Group's capital management is to ensure the Group's ability to operate as a going concern and maintain healthy capital structure so as to support business growth and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the distribution of profits to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. For the six months ended 30 June 2017 and for the six months ended 30 June 2016, there was no change in the Group's capital management objectives, policies or processes.

The Group manages its capital using leverage ratio, which is calculated by dividing net debts by the sum of adjusted capital and net debts. It is the Group's policy to maintain its leverage ratio between 30% and 60%. Net debts include accounts payable, other payables, short-term borrowings, non-current liabilities due within one year and long-term borrowings less cash and bank balances. The Group's net debt to equity ratio as at the balance sheet dates is as follows:

	30 June 2017 (unaudited)	31 December 2016
Accounts payable	177,470,999.24	102,726,569.27
Other payables	979,145,959.69	1,244,623,623.17
Short-term borrowings	2,201,000,000.00	1,545,000,000.00
Non-current liabilities due within one year	407,977,164.00	1,056,586,108.28
Long-term borrowings	7,917,123,292.98	8,664,816,348.70
Less: Cash and bank balances	2,802,759,483.34	1,857,032,961.56
Net debt	8,879,957,932.57	10,756,719,687.86
Equity attributable to shareholders of the parent	12,064,517,835.41	11,436,690,223.78
Capital and net debt	20,944,475,767.98	22,193,409,911.64
Net debt to equity ratio	42%	48%

# NOTES TO FINANCIAL STATEMENTS

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## IX. DISCLOSURE OF FAIR VALUE

### Fair Value Estimation

Management has assessed cash and bank balances, bills receivable, accounts receivable, short-term borrowings, accounts payable and non-current liabilities due within one year etc, and considers that their fair values approximate their carrying amounts due to the short term maturities of these instruments. The fair values of short-term borrowings approximate their carrying amounts due to their floating interest rates.

The Group's finance team is led by the finance manager, and is responsible for formulating policies and procedures for the fair value measurement of financial instruments. The finance team reports directly to the chief financial officer and the audit committee. At each balance sheet date, the finance team analyses movements in the fair value of financial instruments and determines the major inputs applicable to the valuation. The valuation must be reviewed and approved by the chief financial officer. For the purpose of preparing interim and annual financial statements, the finance team meets the audit committee twice a year to discuss the valuation procedures and results.

The fair value of financial assets and financial liabilities is determined based on the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of long-term loans are calculated by discounting the future cash flows using market yields currently available for other financial instruments with similar contractual terms, credit risk and residual term as the discount rate. As at 30 June 2017, the Group's exposure to non-performance risk associated with the long-term borrowings is assessed as insignificant.

## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### 1. Parent Company

	Place of registration	Nature of business	Registered capital RMB	Proportion of shareholding (%)	Proportion of vote (%)
HPG	Tangshan city	Integrated port service	8 billion	61.11	61.11

HPG is the ultimate holding company of the Company.

### 2. Subsidiaries

For details of the subsidiaries, please refer to 1 of Note VII. Interests in subsidiaries.

### 3. Joint Ventures and Associates

For details of the joint ventures and associates, please refer to 2 of Note VII. Interests in joint ventures and associates.



# NOTES TO FINANCIAL STATEMENTS

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## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 4. Other Related Parties

Company name	Relationship with related parties
Qinhuangdao Port Elevator Co., Ltd. (秦皇島港立電梯有限責任公司)	A subsidiary of the controlling shareholder
Qinhuangdao Ruigang Coal Logistics Co., Ltd. (秦皇島睿港煤炭物流有限公司)	A subsidiary of the controlling shareholder
Penavico QHD Logistics Co., Ltd.	A subsidiary of the controlling shareholder
Qinhuangdao Fangyuan Port Project Survey Co., Ltd. (秦皇島方圓港灣工程監理有限公司)	A subsidiary of the controlling shareholder
秦皇島方宇物業服務有限公司	A subsidiary of the controlling shareholder
河北港口集團港口工程有限公司	A subsidiary of the controlling shareholder
Hebei Port Group Port Machinery Limited (河北港口集團港口機械有限公司)	A subsidiary of the controlling shareholder
Holiday Inn Qinhuangdao Sea View (秦皇島海景酒店有限公司)	A subsidiary of the controlling shareholder
Cangzhou Bohai New Zone Far Trans Shipping Agency Company	A subsidiary of the controlling shareholder
China Ocean Shipping Agency Qinhuangdao	A subsidiary of the controlling shareholder
秦皇島市藍港國際旅行社有限公司	A subsidiary of the controlling shareholder
秦皇島港韻會議服務有限公司	A subsidiary of the controlling shareholder
河北港口集團餐飲管理有限公司	A subsidiary of the controlling shareholder
秦皇島之海船務代理有限公司	A subsidiary of the controlling shareholder
滄州渤海新區港口房地產開發有限公司	A subsidiary of the controlling shareholder
Qinhuangdao Seaborne Coal Trading Market Co., Ltd. (秦皇島海運煤炭交易市場有限公司)	A subsidiary of the controlling shareholder
河北港口集團國際物流有限公司	A subsidiary of the controlling shareholder
河北港口集團檢測技術有限公司	A subsidiary of the controlling shareholder
河北環渤海煤炭交易中心有限公司	A subsidiary of the controlling shareholder
秦皇島科正工程檢測有限公司	A subsidiary of the controlling shareholder
秦皇島易達岩土工程有限公司	A subsidiary of the controlling shareholder
唐山曹妃甸工業區之海船務代理有限公司	A subsidiary of the controlling shareholder
秦皇島秦仁海運有限公司	Other enterprises affected by the controlling shareholder
秦皇島東方石油有限公司	Other enterprises affected by the controlling shareholder
Qinhuangdao Winsway Petroleum Co., Ltd.	Other enterprises affected by the controlling shareholder
秦皇島晉遠船務代理有限公司	Other enterprises affected by the controlling shareholder
秦皇島益嘉船務代理有限公司	Other enterprises affected by the controlling shareholder
Huanghua Foreign Ships Agency Co., Ltd. (黃驊港外輪代理有限公司)	Other enterprises affected by the controlling shareholder
SDIC Caofeidian Port Co., Ltd. (國投曹妃甸港口有限公司)	Other related party*
Qinhuangdao Jinhai Oil Industrial Co., Ltd. (秦皇島金海糧油工業有限公司)	Other related party*
Qinhuangdao Jinhai Specialized Oil Industrial Co., Ltd. (秦皇島金海特種食用油工業有限公司)	Other related party*
Shenhua Huanghua Harbour Administration Corp. (Ltd)	Other related party*
Han Huang Railway Co., Ltd. (邯黃鐵路有限責任公司)	Other related party*
Daqin Railway Co., Ltd.	Other related party*
Bank of Hebei Co., Ltd.	Other related party**

\* Members of the Board of the Company also serve as members of the board of directors of the company.

\*\* Members of the board of directors of HPG also serve as members of the board of directors of the company.

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## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties

#### (1) Transactions concerning goods and services with related parties

*Purchase of goods and receipt of services from related parties*

	Type of goods or services (Note)	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
<b>Transactions with the parent company</b>			
HPG	Integrated service	19,009,091.36	13,770,255.27
<b>Transactions with other related parties</b>			
河北港口集團港口工程有限公司	Construction service	80,933,326.16	49,072,125.00
Hebei Port Group Port Machinery Limited (河北港口集團港口機械有限公司)	Repair and Maintenance service	55,683,899.58	25,821,933.58
秦皇島方宇物業管理有限公司	Logistics service	6,110,720.28	3,706,007.21
河北港口集團餐飲管理有限公司	Logistics service	2,792,936.42	1,587,470.28
滄州渤海新區港口房地產開發有限公司	Construction service	1,904,761.82	6,800,000.00
河北港口集團檢測技術有限公司	Examination and test services	1,469,504.71	–
Qinhuangdao Fangyuan Port Project Survey Co., Ltd. (秦皇島方圓港灣工程監理有限公司)	Supervisory	1,095,539.70	63,492.25
Daqin Railway Co., Ltd.	Logistics service	507,914.53	4,634.00
Holiday Inn Qinhuangdao Sea View (秦皇島海景酒店有限公司)	Logistics service	131,674.37	151,438.00
Qinhuangdao Port Elevator Co., Ltd. (秦皇島港立電梯有限責任公司)	Repair and maintenance service	89,333.15	291,103.42
秦皇島科正工程檢測有限公司	Examination and test services	1,033.02	–
Qinhuangdao Jinhai Oil Industrial Co., Ltd. (秦皇島金海糧油工業有限公司)	Logistics service	–	506,100.00
Qinhuangdao Ruigang Coal Logistics Co., Ltd. (秦皇島睿港煤炭物流有限公司)	Railway construction	–	130,454.71
秦皇島港韻會議服務有限公司	Logistics service	–	3,000.00
Bank of Hebei Co., Ltd.	Financial settlement service	–	219.20
		150,720,643.74	88,137,977.65
		169,729,735.10	101,908,232.92

Note: Purchase of goods and receipt of services from related parties by the Group are carried out according to the terms of the agreements entered into between the Group and related parties.

Integrated service represents the General Services Agreement entered into by the Group and HPG. The scope of services includes office leasing, port engineering maintenance, supervising, maintenance and repair of equipment, water and electricity, heat supply and communication etc.

# NOTES TO FINANCIAL STATEMENTS

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## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (continued)

#### (1) Transactions concerning goods and services with related parties (continued)

*Sales of goods and render of services to related parties*

	Type of goods or services (Note)	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
<b>Transactions with the parent company</b>			
HPG	Electricity supply service	3,176,265.78	2,474,072.94
<b>Transactions with joint ventures and associates</b>			
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	Loading and unloading service	291,116.77	807,494.34
Cangzhou Bohai New Zone Gangxing Tugboat Co., Ltd. (滄州渤海新區港興拖輪有限公司)	Towing service	64,946.82	340,195.77
Handan International Land Port Co., Ltd. (邯鄲國際陸港有限公司)	Distribution purchasing	29,126.21	115,453.81
Qinhuangdao Xing'ao Qin'gang Energy Storage & Transportation Co., Ltd. (秦皇島興奧秦港能源儲運有限公司)	Electricity supply service	44,362.76	73,757.66
		<b>429,552.56</b>	<b>1,336,901.58</b>



# NOTES TO FINANCIAL STATEMENTS

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## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (continued)

#### (1) Transactions concerning goods and services with related parties (continued)

*Sales of goods and render of services to related parties (continued)*

	Type of goods or services (Note)	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
<b>Transactions with other related parties</b>			
Qinhuangdao Jinhai Oil Industrial Co., Ltd. (秦皇島金海糧油工業有限公司)	Loading and unloading service	28,906,371.69	20,776,222.58
Qinhuangdao Ruigang Coal Logistics Co., Ltd. (秦皇島魯港煤炭物流有限公司)	Loading and unloading service	11,728,610.39	2,761,949.04
秦皇島秦仁海運有限公司	Draft survey service	6,145,898.81	4,658,760.91
河北港口集團港口工程有限公司	Loading and unloading service	4,192,091.49	–
Qinhuangdao Seaborne Coal Trading Market Co., Ltd. (秦皇島海運煤炭交易市場有限公司)	Loading and unloading service	3,188,575.47	10,292,169.43
滄州渤海新區港口房地產開發有限公司	Construction service	1,792,581.27	–
河北環渤海煤炭交易中心有限公司	Loading and unloading service	1,645,288.69	–
SDIC Caofeidian Port Co., Ltd. (國投曹妃甸港口有限公司)	Draft survey service	1,160,784.10	1,961,602.39
Holiday Inn Qinhuangdao Sea View (秦皇島海景酒店有限公司)	Electricity supply service	1,053,193.92	1,060,497.99
秦皇島東方石油有限公司	Loading and unloading service	742,488.36	83,567.77
河北港口集團港口工程有限公司	Electricity supply service	366,775.30	468,053.65
Hebei Port Group Port Machinery Limited (河北港口集團港口機械有限公司)	Electricity supply service	305,697.10	355,067.22
Qinhuangdao Winsway Petroleum Co., Ltd	Electricity supply service	290,515.30	156,980.31
Qinhuangdao Jinhai Specialized Oil Industrial Co., Ltd. (秦皇島金海特種食用油工業有限公司)	Loading and unloading service	211,723.61	435,095.30
Shenhua Huanghua Harbour Administration Corp. (Ltd)	Distribution purchasing	–	406,807.95
China Ocean Shipping Agency Qinhuangdao	Electricity supply service	108,564.61	114,665.07
Han Huang Railway Co., Ltd. (邯黃鐵路有限責任公司)	Electricity supply service	188,272.76	93,419.39
Qinhuangdao Fangyuan Port Project Survey Co., Ltd. (秦皇島方圓港灣工程監理有限公司)	Electricity supply service	39,690.29	55,088.85
河北港口集團餐飲管理有限公司	Electricity supply service	59,678.00	33,121.81
秦皇島方宇物業管理有限公司	Electricity supply service	29,957.23	10,020.08
		62,156,758.39	43,723,089.74
		65,762,576.73	47,534,064.26

Note: Sale of goods and render of services to related parties by the Group are carried out according to the terms of the agreements entered into between the Group and related parties.



# NOTES TO FINANCIAL STATEMENTS

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## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (continued)

#### (2) Leases with related parties

As lessor

	Category of Leased assets	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
<b>Transactions with joint ventures and associates</b>			
Cangzhou Bohai New Zone Gangxing Tugboat Co., Ltd. (滄州渤海新區港興拖輪有限公司)	Machinery and equipment	20,440.18	–
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	Machinery and equipment	450,205.24	–
		470,645.42	–
<b>Transactions with other related parties</b>			
秦皇島東方石油有限公司	Land use right	181,556.76	66,808.00
Qinhuangdao Winsway Petroleum Co., Ltd.	Land use right	–	22,017.00
Qinhuangdao Fangyuan Port Project Survey Co., Ltd. (秦皇島方圓港灣工程監理有限公司)	Buildings	49,523.81	17,333.00
		231,080.57	106,158.00
Total		701,725.99	106,158.00

As Lessee

	Category of Leased assets	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
HPG	Buildings and harbor facilities	40,452,284.19	39,888,756.45
HPG	Machinery and equipment	3,217,839.18	11,842,850.70
HPG	Office buildings	8,617,921.88	9,523,224.81
HPG	Vehicle	1,301,153.21	1,665,780.06
Total		53,589,198.46	62,920,612.02

The above lease expenses mainly represent rental fees paid to HPG by the Company in respect of certain assets which include land, buildings, facilities and equipment etc. In February 2017, the Group and HPG entered into a lease contract with a term of two years, with an annual rental payment of RMB93,445,759.00.

The rentals from the assets leased out to or leased from related parties by the Group are based on the terms of the agreements entered into between the Group and related parties.

# NOTES TO FINANCIAL STATEMENTS

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## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (continued)

#### (3) Borrowings from related parties

30 June 2017 (unaudited)

	Borrowing amount	Interest rate per annum	Commencement date	Maturity date
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	1,000,000.00	4.13% Benchmark interest rate	29 September 2016	28 September 2017
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	45,000,000.00	10% lower	18 April 2016	17 April 2021

31 December 2016

	Borrowing amount	Interest rate per annum	Commencement date	Maturity date
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	2,000,000.00	4.13%	20 June 2016	19 June 2016
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	3,000,000.00	4.13%	29 September 2016	28 September 2017
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	40,000,000.00	3.92% Benchmark interest rate	24 June 2016	23 June 2017
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	45,000,000.00	10% lower	18 April 2016	17 April 2021

#### Interest expenses paid

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	1,857,348.55	1,265,612.91

# NOTES TO FINANCIAL STATEMENTS

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## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (continued)

#### (4) Key management personnel

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
Remuneration for key management personnel	1,842,749.22	1,682,096.29

#### (5) Transactions with other related parties

##### *Trademark use right*

In December 2008, the Company entered into an agreement with HPG, the parent company, pursuant to which the Company had the exclusive right to use HPG's trademark for free with a term of ten years commencing on 31 March 2008.

##### *Deposits in related parties*

As at 30 June 2017, the balance of the Group's deposits in Hebei Port Group Finance Company Limited (河北港口集團財務有限公司) amounted to RMB1,670,285,382.60 (31 December 2016: RMB1,242,684,642.93), and an interest income of RMB14,386,566.22 was incurred in the period (for the six months ended 30 June 2016: RMB12,561,220.35).

As at 30 June 2017, the Group had no deposits from Bank of Hebei Co., Ltd (As at 31 December 2016: Nil) and received no interest income from Bank of Hebei Co., Ltd in the period (for the six months ended 30 June 2016: RMB9,705.15)

# NOTES TO FINANCIAL STATEMENTS

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## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (continued)

#### (5) Transactions with other related parties (continued)

##### Agency business

秦皇島之海船務代理有限公司, Penavico QHD Logistics Co., Ltd., China Ocean Shipping Agency Qinhuangdao, 秦皇島益嘉船務代理有限公司 and 秦皇島晉遠船務代理有限公司 accept the port services provided by the Group on behalf of non-related third parties shipping companies, and pay port services fee on behalf of these shipping companies to the Group. Relevant agencies derive service income from non-related third parties they serve. Below are the amount settled between relevant agencies serving non-related third parties and the Group:

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
秦皇島之海船務代理有限公司	58,567,325.52	37,845,655.23
Penavico QHD Logistics Co., Ltd.	12,870,203.81	14,930,211.63
China Ocean Shipping Agency Qinhuangdao Huanghua Foreign Ships Agency Co., Ltd. (黃驊港外輪代理有限公司)	10,395,441.51	19,533,024.71
Cangzhou Bohai New Zone Far Trans Shipping Agency Company (滄州渤海新區泛航船務代理有限公司)	1,857,016.21	1,105,328.56
秦皇島晉遠船務代理有限公司	512,675.39	635,100.96
秦皇島益嘉船務代理有限公司	95,661.59	218,247.00
	-	731,468.83

### 6. Commitments Made between the Group and Related Parties

#### Capital commitments

	30 June 2017 (unaudited)	31 December 2016
河北港口集團港口工程有限公司	6,691,078.40	47,403,490.40
Qinhuangdao Fangyuan Port Project Survey Co., Ltd. (秦皇島方圓港灣工程監理有限公司)	5,192,736.00	5,764,483.00
	11,883,814.40	53,167,973.40



# NOTES TO FINANCIAL STATEMENTS

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## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 6. Commitments Made between the Group and Related Parties (continued)

#### Lease commitments

For details of the rental expenses incurred during the period, please refer to Note X-5(2). It is estimated that the Group's future minimum lease payments under non-cancellable leases are as follows:

	30 June 2017 (unaudited)	31 December 2016
Within 1 year (including 1 year)	93,445,759.00	93,445,759.00
1 to 2 years (including 2 years)	46,722,879.50	93,445,759.00
	140,168,638.50	186,891,518.00

Pursuant to the relevant lease contracts, the aforementioned minimum lease payments under non-cancellable leases on 30 June 2017 and 31 December 2016 mainly include rentals payable by the Company to HPG in respect of the lease of lands, buildings, facilities and equipment etc, with an annual rental of RMB93,445,759.00. The rental paid by the Group to related companies in respect of the lease assets are executed pursuant to the terms of the agreements entered into between the Group and the related parties.

#### Investment commitments

	30 June 2017 (unaudited)	31 December 2016
Tangshan Jingtang Railway Co., Ltd. (唐山京唐鐵路有限公司)	780,000,000.00	780,000,000.00
Bohai Jin-Ji Port Investment and Development Company Limited (渤海津冀港口投資發展有限公司)	600,000,000.00	900,000,000.00
Handan International Land Port Co., Ltd. (邯鄲國際陸港有限公司)	86,670,000.00	86,670,000.00
Cangzhou Bohai New Zone Gangxing Tugboat Co., Ltd. (滄州渤海新區港興拖輪有限公司)	–	49,845,800.00
	1,466,670,000.00	1,816,515,800.00

# NOTES TO FINANCIAL STATEMENTS

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## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 7. The Parent Company and Subsidiaries

	30 June 2017 (unaudited)	31 December 2016
Investment in subsidiaries		
Unlisted investments, at cost	5,787,247,006.66	5,787,247,006.66

The amounts due from and to subsidiaries of RMB10,017,601.98元(31 December 2016: RMB9,059,481.90) and RMB59,218,969.64 (31 December 2016: RMB1,203,709.28) under the items of current assets and current liabilities, respectively, were unsecured, non-interest bearing and repayable on demand or falling due within one year.

### 8. Balances of Accounts Due from Related Parties

	30 June 2017 (unaudited)		31 December 2016	
	Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
<b>Accounts receivable</b>				
<u>Due from the parent company</u>				
HPG	55,823.59	2,791.18	54,711.15	-
<u>Due from associates</u>				
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	6,059,857.39	6,059,857.39	6,071,103.39	738,533.30
Qinhuangdao Xing'ao Qin'gang Energy Storage & Transportation Co., Ltd. (秦皇島興奧秦港能源儲運有限公司)	-	-	30,729.37	-
Cangzhou Bohai New Zone Gangxing Tugboat Co., Ltd. (滄州渤海新區港興拖輪有限公司)	23,915.00	1,195.75	-	-
	<b>6,083,772.39</b>	<b>6,061,053.14</b>	6,101,832.76	738,533.30

# NOTES TO FINANCIAL STATEMENTS

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## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 8. Balances of Accounts Due from Related Parties (continued)

	30 June 2017 (unaudited)		31 December 2016	
	Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
<b>Accounts receivable (continued)</b>				
<u>Due from other related parties</u>				
China Ocean Shipping Agency				
Qinhuangdao	16,242,707.18	812,135.36	16,840,248.00	793.80
秦皇島之海船務代理有限公司	21,105,059.00	1,055,252.95	15,610,181.00	954.00
SDIC Caofeidian Port Co., Ltd. (國投曹妃甸港口有限公司)	1,802,119.90	92,507.42	2,905,595.65	150,081.53
Qinhuangdao Jinhai Oil Industrial Co., Ltd. (秦皇島金海糧油 工業有限公司)	7,151,373.00	357,568.65	5,105,273.00	78.10
秦皇島秦仁海運有限公司	1,295,039.80	64,751.99	1,668,426.50	5,086.50
Holiday Inn Qinhuangdao Sea View (秦皇島海景酒店有限公司)	235,428.53	11,771.43	–	–
Penavico QHD Logistics Co., Ltd.	5,847,730.00	292,386.50	5,154,134.00	2,171.50
秦皇島益嘉船務代理有限公司	–	–	43,807.00	–
Huanghua Foreign Ships Agency Co., Ltd. (黃驊港外輪代理有限公司)	85,964.00	4,298.20	152,633.00	7,631.65
秦皇島東方石油有限公司	619,212.00	30,960.60	49,172.00	–
秦皇島晉遠船務代理有限公司	24,749.00	1,237.45	2,114.00	–
Qinhuangdao Winsway Petroleum Co., Ltd.	–	–	45,358.00	–
Cangzhou Bohai New Zone Far Trans Shipping Agency Company	40,211.00	2,010.55	17,465.00	873.25
Hebei Port Group Port Machinery Limited (河北港口集團港口 機械有限公司)	–	–	502,877.00	–
Qinhuangdao Jinhai Specialized Oil Industrial Co., Ltd. (秦皇島金海特種食用油 工業有限公司)	31,581.00	1,579.05	66,103.00	–
	54,481,174.41	2,726,460.15	48,163,387.15	167,670.33
	60,620,770.39	8,790,304.47	54,319,931.06	906,203.63

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## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 8. Balances of Accounts Due from Related Parties (continued)

	30 June 2017 (unaudited)		31 December 2016	
	Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
<b>Prepayments and deposits</b>				
<u>Advances to the parent company</u>				
HPG	–	–	302,553.24	–
<u>Due to other related parties</u>				
河北港口集團港口工程有限公司	–	–	2,881.86	–
河北港口集團餐飲管理有限公司	292,485.38	–	92,800.00	–
	292,485.38	–	95,681.86	–
	292,485.38	–	398,235.10	–
<b>Other receivables</b>				
<u>Due from joint ventures</u>				
Bohai Jin-Ji Port Investment and Development Company Limited (渤海津冀港口投資發展有限公司)	14,879,384.44	743,969.22	–	–
<u>Due from associates</u>				
Handan International Land Port Co., Ltd. (邯鄲國際陸港有限公司)	2,644.22	132.21	–	–
Cangzhou Bohai New Zone Gangxing Tugboat Co., Ltd. (滄州渤海新區港興拖輪有限公司)	64,946.82	3,247.34	–	–
	67,591.04	3,379.55	–	–
<u>Due from other related parties</u>				
河北港口集團港口工程有限公司	6,000.00	300.00	–	–
	14,952,975.48	747,648.77	–	–



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## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 9. Balances of Accounts Due to Related Parties

	30 June 2017 (unaudited)	31 December 2016
<b>Accounts payable</b>		
<u>Due to the parent company</u>		
HPG	2,275,380.04	687,321.34
<u>Due to other related parties</u>		
Hebei Port Group Port Machinery Limited (河北港口集團港口機械有限公司)	8,345,044.35	1,423,077.32
河北港口集團港口工程有限公司	4,905,276.07	2,761,139.20
Qinhuangdao Port Elevator Co., Ltd. (秦皇島港立電梯有限責任公司)	2,525.00	2,525.00
	13,252,845.42	4,186,741.52
	15,528,225.46	4,874,062.86
<b>Other payables</b>		
<u>Due to the parent company</u>		
HPG	43,450,324.83	35,583,375.40
<u>Due to associates</u>		
Tangshan Caofeidian Shiye Port Co., Ltd.	–	460,831.00
<u>Due to other related parties</u>		
河北港口集團港口工程有限公司	67,650,413.30	103,338,376.31
Qinhuangdao Fangyuan Port Project Survey Co., Ltd. (秦皇島方圓港灣工程監理有限公司)	8,961,028.58	9,301,862.58
Hebei Port Group Port Machinery Limited (河北港口集團港口機械有限公司)	22,071,131.35	13,034,473.25
Qinhuangdao Port Elevator Co., Ltd. (秦皇島港立電梯有限責任公司)	287,307.00	314,597.00
秦皇島科正工程檢測有限公司	–	18,292.00
秦皇島易達岩土工程有限公司	254,972.00	254,972.00
	99,224,852.23	126,262,573.14
	142,675,177.06	162,306,779.54

# NOTES TO FINANCIAL STATEMENTS

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## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 9. Balances of Accounts Due to Related Parties (continued)

	30 June 2017 (unaudited)	31 December 2016
<b>Receipts in advance</b>		
<u>Advance from other related parties</u>		
河北港口集團國際物流有限公司	2,633,883.00	–
Qinhuangdao Seaborne Coal Trading Market Co., Ltd. (秦皇島海運煤炭交易市場有限公司)	1,427,420.10	2,093,591.10
河北環渤海煤炭交易中心有限公司	139,994.00	–
唐山曹妃甸工業區之海船務代理有限公司	17,412.00	17,412.00
秦皇島秦仁海運有限公司	12,467.00	–
Qinhuangdao Jinhai Oil Industrial Co., Ltd. (秦皇島金海糧油工業有限公司)	8,325.00	–
河北港口集團港口工程有限公司	3,000.00	–
China Ocean Shipping Agency Qinhuangdao	1,798.00	–
Qinhuangdao Ruigang Coal Logistics Co., Ltd. (秦皇島睿港煤炭物流有限公司)	–	646,309.00
Han Huang Railway Co., Ltd. (邯黃鐵路有限責任公司)	–	132,229.51
	<b>4,244,299.10</b>	<b>2,889,541.61</b>
<b>Interest payable</b>		
<u>Due to associates</u>		
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	54,585.42	112,944.79

Accounts due to related parties are non-interest bearing, unsecured and have no fixed terms of repayment.

# NOTES TO FINANCIAL STATEMENTS

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## XI. COMMITMENTS

	30 June 2017 (unaudited)	31 December 2016
Contracted, but not provided for Capital commitments	314,704,311.06	359,519,405.87
Investment commitments (6 of Note X)	1,466,670,000.00	1,816,515,800.00
	1,781,374,311.06	2,176,035,205.87

## XII. EVENTS AFTER THE BALANCE SHEET DATE

Pursuant to the resolution in 2015 Second Extraordinary General Meeting of the Company held on 20 August 2015 and the Reply in relation to the Approval of the Initial Public Offering of Shares by Qinhuangdao Port Co., Ltd (CSRC Permit No. 1097[2017]) issued by the China Securities Regulation Commission on 30 June 2017, the Company was granted approval to make initial public offering of 558,000,000 ordinary shares denominated in Renminbi at a price of RMB2.34 per share. The proceeds from the offering was RMB 1,305,720,000.00.

## XIII. OTHER IMPORTANT ITEMS

### 1. Segment Reporting

#### Operating segments

For management purpose, the Group is organised into business units based on their products and services, and has one reportable segment: provision of integrated port services. The Management monitors the operating results of its business units as a whole for the purpose of making decisions on resources allocation and performance assessment.

#### Other information

##### *Information about products and services*

For the revenue classified by category, please refer to 36 of Note V. Operating revenue and cost.

##### *Geographical information*

More than 90% of the Group's operations and customers are located in Mainland China; more than 90% of its revenue is generated from Mainland China; and all the non-current assets are located in Mainland China.

##### *Information about major customers*

For the six months ended 30 June 2017, there were two (for the six months ended 30 June 2016: three) sales customers which individually contributed over 10% of the Group's total revenue. The revenue from such customers were RMB420,819,936.80 and RMB342,899,451.97 respectively (for the six months ended 30 June 2016: RMB375,482,558.10, RMB301,268,801.92 and RMB297,264,166.68, respectively).

# NOTES TO FINANCIAL STATEMENTS

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## XIII. OTHER IMPORTANT ITEMS (CONTINUED)

### 2. Leases

#### As lessee

Significant operating leases: according to the lease contracts entered into with lessors, the minimum lease payments under non-cancellable leases are as follows:

	30 June 2017 (unaudited)	31 December 2016
Within 1 year (including 1 year)	93,616,159.00	93,698,659.00
1 to 2 years (including 2 years)	46,893,279.50	93,616,159.00
2 to 3 years (including 3 years)	85,200.00	170,400.00
	<b>140,594,638.50</b>	<b>187,485,218.00</b>

#### As lessor

Fixed assets leased under operating leases are mainly the port facilities leased to third parties by the Group, such as stacking yards and machine equipments. Please refer to Note V-12. Fixed assets.

### 3. Remunerations of Directors, Supervisors and Senior Management

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
Fees	200,000.00	200,000.00
Other emoluments		
Salaries and allowances	1,283,628.10	1,088,782.19
Pension scheme contributions	359,121.12	393,314.10
	<b>1,642,749.22</b>	<b>1,482,096.29</b>
	<b>1,842,749.22</b>	<b>1,682,096.29</b>



# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## XIII. OTHER IMPORTANT ITEMS (CONTINUED)

### 3. Remunerations of Directors, Supervisors and Senior Management (continued)

#### (1) Independent non-executive Directors

The fees paid to independent non-executive Directors during the period were as follows:

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
HOU Shujun	50,000.00	50,000.00
ZANG Xiuqing	50,000.00	50,000.00
LI Man Choi	50,000.00	50,000.00
ZHAO Zhen	50,000.00	50,000.00
	200,000.00	200,000.00

There were no other remunerations payable to the independent non-executive Directors during the period (for the six months ended 30 June 2016: nil).

# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## XIII. OTHER IMPORTANT ITEMS (CONTINUED)

### 3. Remunerations of Directors, Supervisors and Senior Management (continued)

#### (2) Executive Directors, non-executive Directors and Supervisors

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
Salaries and allowances:		
Executive Directors:		
CAO Ziyu	–	–
XING Luzhen	–	–
YANG Wensheng	161,470.62	–
WANG Lubiao	154,928.90	136,417.03
MA Xiping	154,928.90	136,349.03
TIAN Yunshan	51,316.18	142,594.20
	522,644.60	415,360.26
Non-executive Directors:		
ZHAO Ke	–	–
LI Jianping	–	–
MI Xianwei	–	–
	–	–
Supervisors:		
CAO Dong	235,525.68	131,364.57
ZHANG Jun	–	126,481.27
LIU Simang	–	–
NIE Yuzhong	–	–
CHEN Linyan	215,583.22	–
BU Zhouqing	–	–
	451,108.90	257,845.84

# NOTES TO FINANCIAL STATEMENTS

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## XIII. OTHER IMPORTANT ITEMS (CONTINUED)

### 3. Remunerations of Directors, Supervisors and Senior Management (continued)

#### (2) Executive Directors, non-executive Directors and Supervisors (continued)

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
Salaries and allowances:		
Executive Directors:		
CAO Ziyu	–	–
XING Luzhen	–	–
YANG Wensheng	48,877.32	–
WANG Lubiao	53,744.22	53,651.10
MA Xiping	53,181.78	53,090.94
TIAN Yunshan	18,446.16	55,245.36
	<b>174,249.48</b>	<b>161,987.40</b>
Non-executive Directors:		
ZHAO Ke	–	–
LI Jianping	–	–
MI Xianwei	–	–
	–	–
Supervisors:		
CAO Dong	40,523.70	40,433.28
ZHANG Jun	–	34,936.20
LIU Simang	–	–
NIE Yuzhong	–	–
CHEN Linyan	37,023.72	–
BU Zhouqing	–	–
	<b>77,547.42</b>	<b>75,369.48</b>

# NOTES TO FINANCIAL STATEMENTS

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## XIII. OTHER IMPORTANT ITEMS (CONTINUED)

### 3. Remunerations of Directors, Supervisors and Senior Management (continued)

#### (3) Senior management

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
Salaries and allowances:		
HE Zhenya	154,937.30	141,533.97
YANG Wensheng	–	137,693.09
GUO Xikun	154,937.30	136,349.03
	<b>309,874.60</b>	<b>415,576.09</b>
Pension scheme contributions:		
HE Zhenya	53,740.14	53,803.02
YANG Wensheng	–	48,901.26
GUO Xikun	53,584.08	53,252.94
	<b>107,324.22</b>	<b>155,957.22</b>

There was no agreement under which a director or senior management waived or agreed to waive any remuneration during the period (for the six months ended 30 June 2016: nil).

### 4. Five Highest Paid Senior Management

The five highest paid employees during the period included two Directors (for the six months ended 30 June 2016: three), details of whose remuneration are set out in 3. Remunerations of Directors, Supervisors and Senior Management of Note XIII. Details of remunerations of the remaining three non-director employees (for the six months ended 30 June 2016: two) during the period are as follows:

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
Salaries and allowances	606,046.20	277,883.00
Pension scheme contributions	131,287.56	107,055.96
	<b>737,333.76</b>	<b>384,938.96</b>



# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## XIII. OTHER IMPORTANT ITEMS (CONTINUED)

### 4. Five Highest Paid Senior Management (continued)

The number of non-directors and non-supervisors whose remunerations fell within the following bands is as follows:

	Number of Employees	
	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
Nil to RMB1,000,000	1	2

## XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

### 1. Accounts Receivable

	30 June 2017 (unaudited)	31 December 2016
Within 1 year	96,956,840.34	71,709,253.07
1 to 2 years	6,066,181.05	17,906,273.83
2 to 3 years	55,237,447.06	55,985,571.70
Over 3 years	1,733,320.05	1,655,441.05
	159,993,788.50	147,256,539.65
Less: Provision for bad debts	28,935,304.97	23,881,717.89
	131,058,483.53	123,374,821.76

The movements in the provision for bad debts are as follows:

	Opening balance in the period/year	Provision in the current period/year	Reversal in the current period/year	Write-off in the current period/year	Closing balance in the period/year
For the six months ended 30 June 2017 (unaudited)	23,881,717.89	5,053,587.08	-	-	28,935,304.97
2016	14,813,217.51	9,068,500.38	-	-	23,881,717.89

# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 1. Accounts Receivable (continued)

The risk classification of accounts receivable is as follows:

	30 June 2017 (audited)				31 December 2016			
	Carrying amount		Provision for bad debts		Carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Provision for bad debts by credit risk characteristics group	153,933,931.11	96.21	22,875,447.58	79.06	147,256,539.65	100.00	23,881,717.89	100.00
Provision for bad debts that are individually insignificant and are provided for bad debts separately	6,059,857.39	3.79	6,059,857.39	20.94	-	-	-	-
	159,993,788.50	100.00	28,935,304.97	100.00	147,256,539.65	100.00	23,881,717.89	100.00

Accounts receivables that are individually insignificant and are provided for bad debts separately as at 30 June 2017 are as follows:

	Carrying amount	Provision for bad debts	Provided ratio	Reasons for provision
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	6,059,857.39	6,059,857.39	100%	Increase in credit risk

Items by the credit risk characteristics combination of provision for bad debts are as follows:

	30 June 2017 (unaudited)				31 December 2016			
	Carrying amount		Provision for bad debts		Carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Provision for bad debts by credit risk characteristics group								
Within 1 year	96,015,499.95	62.37	4,800,775.00	5	71,709,253.07	48.70	3,585,462.65	5
1 to 2 years	2,570,904.05	1.67	257,090.41	10	17,906,273.83	12.16	1,790,627.38	10
2 to 3 years	53,614,207.06	34.83	16,084,262.12	30	55,985,571.70	38.02	16,850,186.81	30
Over 3 years	1,733,320.05	1.13	1,733,320.05	100	1,655,441.05	1.12	1,655,441.05	100
	153,933,931.11	100.00	22,875,447.58		147,256,539.65	100.00	23,881,717.89	

As at 30 June 2017 and 31 December 2016, the Company performed the impairment test in respect of single accounts receivable that was significant, and considered that there was no need for the provision for bad debts separately. The Company grouped these accounts receivable and made the provision for bad debts in the method of ageing analysis.

# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 2. Other Receivables

An aged analysis of other receivables is as follows:

	30 June 2017 (unaudited)	31 December 2016
Within 1 year	1,779,075.34	3,835,759.77
1 to 2 years	464,883.52	455,660.37
2 to 3 years	574.45	533,892.06
Over 3 years	228,560.84	653,260.84
	2,473,094.15	5,478,573.04
Less: Provision for bad debts of other receivables	364,175.30	1,050,782.49
	2,108,918.85	4,427,790.55

The movements in provision for bad debts of other receivables are as follows:

	Opening balance in the period/year	Provision in the current period/year	Reversal in the current period/year	Write-off in the current period/year	Closing balance in the period/year
For the six months ended 30 June 2017 (unaudited)	1,050,782.49	–	(686,607.19)	–	364,175.30
2016	26,622,946.22	–	(25,572,163.73)	–	1,050,782.49

# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 2. Other Receivables (continued)

The Group's adoption of the aged analysis method in provision for bad debts of other receivables is as follows:

	30 June 2017 (unaudited)				31 December 2016			
	Carrying amount		Provision for bad debts		Carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	1,779,075.34	71.94	88,953.77	5	3,835,759.77	70.01	191,787.99	5
1 to 2 years	464,883.52	18.80	46,488.35	10	455,660.37	8.32	45,566.04	10
2 to 3 years	574.45	0.02	172.34	30	533,892.06	9.75	160,167.62	30
Over 3 years	228,560.84	9.24	228,560.84	100	653,260.84	11.92	653,260.84	100
	<b>2,473,094.15</b>	<b>100.00</b>	<b>364,175.30</b>		<b>5,478,573.04</b>	<b>100.00</b>	<b>1,050,782.49</b>	

Other receivables by nature are as follows:

	30 June 2017 (unaudited)	31 December 2016
Deposits	184,300.00	1,213,700.00
Others	2,288,794.15	4,264,873.04
	<b>2,473,094.15</b>	<b>5,478,573.04</b>



# NOTES TO FINANCIAL STATEMENTS

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## XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 3. Available-for-sale financial assets

	30 June 2017 (unaudited)	31 December 2016
Non-listing investment		
Available-for-sale equity instruments	562,752,357.95	562,752,357.95

As at 30 June 2017, the domestic unlisted equity investments held by the Group were measured at cost. The Company has no intention to dispose of these investments. The specific details are as follows:

Name of investee	31 December 2016	Increase in the period	Decrease in the period	30 June 2017
SDIC Caofeidian Port Co., Ltd. (國投曹妃甸港口有限公司)	498,000,000.00	-	-	498,000,000.00
Qinhuangdao Ruigang Coal Logistics Co., Ltd. (秦皇島睿港煤炭物流有限公司)	34,000,000.00	-	-	34,000,000.00
Cangzhou Huanghuagang Steel Logistics Co., Ltd. (滄州黃驊港鋼鐵物流有限公司)	30,752,357.95	-	-	30,752,357.95
Total	562,752,357.95	-	-	562,752,357.95

Name of investee	31 December 2015	Increase in the year	Decrease in the year	31 December 2016
SDIC Caofeidian Port Co., Ltd. (國投曹妃甸港口有限公司)	498,000,000.00	-	-	498,000,000.00
Qinhuangdao Ruigang Coal Logistics Co., Ltd. (秦皇島睿港煤炭物流有限公司)	34,000,000.00	-	-	34,000,000.00
Cangzhou Huanghuagang Steel Logistics Co., Ltd. (滄州黃驊港鋼鐵物流有限公司)	30,752,357.95	-	-	30,752,357.95
Total	562,752,357.95	-	-	562,752,357.95

# NOTES TO FINANCIAL STATEMENTS

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## XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 4. Long-term equity investments

For the six months ended 30 June 2017 (unaudited)

	Opening balance	Change in the period				Closing carrying amount
		Increase in investment	Investment income or loss under the equity method	Distribution of cash dividend	Other changes in equity	
Qinhuangdao Ocean Shipping Tally Co., Ltd. (秦皇島中理外輪理貨有限責任公司)	12,085,383.72	-	-	-	-	12,085,383.72
Qinhuangdao Ruigang Technology Import & Export Co., Ltd. (秦皇島瑞港技術進出口有限公司)	10,125,275.79	-	-	-	-	10,125,275.79
Qinhuangdao Xin'gangwan Container Terminal Co., Ltd. (秦皇島港新港灣集裝箱碼頭有限公司)	219,521,347.15	-	-	-	-	219,521,347.15
Cangzhou Bohai Port Co., Ltd. (滄州渤海港務有限公司)	2,464,400,000.00	-	-	-	-	2,464,400,000.00
Tangshan Caofeidian Coal Port Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	918,000,000.00	-	-	-	-	918,000,000.00
Cangzhou Huanghuagang Mineral Port Co., Ltd. (滄州黃驊港礦石港務有限公司)	1,930,000,000.00	-	-	-	-	1,930,000,000.00
Cangzhou Huanghuagang Crude Oil Port Co., Ltd. (滄州黃驊港原油港務有限公司)	32,500,000.00	-	-	-	-	32,500,000.00
Tangshan Caofeidian Jigang Coal Port Co., Ltd. (唐山曹妃甸冀港煤炭港務有限公司)	49,500,000.00	-	-	-	-	49,500,000.00
Tangshan Port Investment & Development Co., Ltd. (唐山港口投資開發有限公司)	56,000,000.00	-	-	-	-	56,000,000.00
Qinhuangdao Port GangSheng (Hong Kong) Co., Limited (秦皇島港盛(香港)有限公司)	40,115,000.00	-	-	-	-	40,115,000.00
Cangzhou Huanghuagang Coal Port Co., Ltd. (滄州黃驊港煤炭港務有限公司)	50,000,000.00	-	-	-	-	50,000,000.00
Tangshan Caofeidian Jigang General Port Co., Ltd. (唐山曹妃甸冀港通用港務有限公司)	5,000,000.00	-	-	-	-	5,000,000.00
<b>Total under cost method</b>	<b>5,787,247,006.66</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,787,247,006.66</b>
Bohai Jin-Ji Port Investment and Development Company Limited (渤海津冀港口投資發展有限公司)	89,205,396.06	300,000,000.00	(9,527,137.33)	-	-	379,678,258.73
Cangzhou Bohai Jinji Container Terminal Co., Ltd. (滄州渤海津冀集裝箱碼頭有限公司)	-	58,854,044.14	(1,221,591.57)	-	246.15	57,632,698.72
<b>Sub-total of joint ventures</b>	<b>89,205,396.06</b>	<b>358,854,044.14</b>	<b>(10,748,728.90)</b>	<b>-</b>	<b>246.15</b>	<b>437,310,957.45</b>
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	-	-	-	-	-	-
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	217,911,512.02	-	6,729,737.90	-	-	224,641,249.92
唐山曹妃甸冀業港務有限公司	1,024,530,094.60	-	63,076,160.94	(84,000,000.00)	2,139,042.85	1,005,745,298.39
Qinhuangdao Xing'ao Qin'gang Energy Storage & Transportation Co., Ltd. (秦皇島興奧秦港能源儲運有限公司)	20,000,000.00	-	-	-	-	20,000,000.00
Tangshan Jingtang Railway Co., Ltd. (唐山京唐鐵路有限公司)	34,935,192.73	-	(1,285,035.37)	-	-	33,650,157.36
滄州中理外輪理貨有限公司	5,727,141.22	-	690,679.72	(2,481,143.20)	-	3,936,677.74
<b>Sub-total of associates</b>	<b>1,303,103,940.57</b>	<b>-</b>	<b>69,211,543.19</b>	<b>(86,481,143.20)</b>	<b>2,139,042.85</b>	<b>1,287,973,383.41</b>
<b>Total under equity method</b>	<b>1,392,309,336.63</b>	<b>358,854,044.14</b>	<b>58,462,814.29</b>	<b>(86,481,143.20)</b>	<b>2,139,289.00</b>	<b>1,725,284,340.86</b>
<b>Total</b>	<b>7,179,556,343.29</b>	<b>358,854,044.14</b>	<b>58,462,814.29</b>	<b>(86,481,143.20)</b>	<b>2,139,289.00</b>	<b>7,512,531,347.52</b>

# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 4. Long-term equity investments (continued)

2016

	Opening balance	Change in the year			Closing carrying amount
		Increase in investment	Investment income or loss under the equity method	Distribution of cash dividend	
Qinhuangdao Ocean Shipping Tally Co., Ltd. (秦皇島中理外輪理貨有限責任公司)	12,085,383.72	-	-	-	12,085,383.72
Qinhuangdao Ruigang Technology Import & Export Co., Ltd. (秦皇島瑞港技術進出口有限公司)	10,125,275.79	-	-	-	10,125,275.79
Qinhuangdao Xin'gangwan Container Terminal Co., Ltd. (秦皇島新港灣集裝箱碼頭有限公司)	219,521,347.15	-	-	-	219,521,347.15
Cangzhou Bohai Port Co., Ltd. (滄州渤海港務有限公司)	2,360,000,000.00	104,400,000.00	-	-	2,464,400,000.00
Tangshan Caofeidian Coal Port Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	918,000,000.00	-	-	-	918,000,000.00
Cangzhou Huanghuaqiang Mineral Port Co., Ltd. (滄州黃驊港礦石港務有限公司)	1,930,000,000.00	-	-	-	1,930,000,000.00
Cangzhou Huanghuaqiang Crude Oil Port Co., Ltd. (滄州黃驊港原油港務有限公司)	32,500,000.00	-	-	-	32,500,000.00
Tangshan Caofeidian Jigang Coal Port Co., Ltd. (唐山曹妃甸冀港煤炭港務有限公司)	49,500,000.00	-	-	-	49,500,000.00
Tangshan Port Investment & Development Co., Ltd. (唐山港口投資開發有限公司)	56,000,000.00	-	-	-	56,000,000.00
Qinhuangdao Port GangSheng (Hong Kong) Co., Limited (秦皇島港盛(香港)有限公司)	40,115,000.00	-	-	-	40,115,000.00
Cangzhou Huanghuaqiang Coal Port Co., Ltd. (滄州黃驊港煤炭港務有限公司)	50,000,000.00	-	-	-	50,000,000.00
Tangshan Caofeidian Jigang General Port Co., Ltd. (唐山曹妃甸冀港通用港務有限公司)	-	5,000,000.00	-	-	5,000,000.00
<b>Total under cost method</b>	<b>5,677,847,006.66</b>	<b>109,400,000.00</b>	<b>-</b>	<b>-</b>	<b>5,787,247,006.66</b>
Bohai Jin-Ji Port Investment and Development Company Limited (渤海津冀港口投資發展有限公司)	99,285,990.07	-	(10,080,594.01)	-	89,205,396.06
<b>Sub-total of joint ventures</b>	<b>99,285,990.07</b>	<b>-</b>	<b>(10,080,594.01)</b>	<b>-</b>	<b>89,205,396.06</b>
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	932,604.68	-	(932,604.68)	-	-
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	211,146,190.86	-	6,765,321.16	-	217,911,512.02
唐山曹妃甸冀港務有限公司	1,004,030,593.63	-	122,282,549.18	(105,000,000.00)	1,024,530,094.60
Qinhuangdao Xing'ao Qin'gang Energy Storage & Transportation Co., Ltd. (秦皇島興奧秦港能源儲運有限公司)	20,000,000.00	-	-	-	20,000,000.00
Tangshan Jingtang Railway Co., Ltd. (唐山京唐鐵路有限公司)	35,960,996.42	-	(1,025,803.69)	-	34,935,192.73
滄州中理外輪理貨有限公司	4,749,227.99	-	2,756,825.78	(1,778,912.55)	5,727,141.22
<b>Sub-total of associates</b>	<b>1,276,819,613.58</b>	<b>-</b>	<b>129,846,287.75</b>	<b>(106,778,912.55)</b>	<b>1,303,103,940.57</b>
<b>Total under equity method</b>	<b>1,376,105,603.65</b>	<b>-</b>	<b>119,765,693.74</b>	<b>(106,778,912.55)</b>	<b>1,392,309,336.63</b>
<b>Total</b>	<b>7,053,952,610.31</b>	<b>109,400,000.00</b>	<b>119,765,693.74</b>	<b>(106,778,912.55)</b>	<b>7,179,556,343.29</b>

# NOTES TO FINANCIAL STATEMENTS

30 June 2017

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## XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 5. Operating Revenue and Cost

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
Revenue	2,588,938,027.55	1,873,978,257.24
Operating costs	1,575,648,553.32	1,450,056,153.73

Revenue is as follows:

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
Revenue from service in relation to coal and relevant products	2,323,233,675.61	1,618,088,562.11
Revenue from service in relation to metal ore and relevant products	50,356,195.30	55,527,705.62
Revenue from service in relation to general and other cargoes	89,222,809.44	85,800,254.64
Revenue from service in relation to liquefied cargoes	33,351,974.35	30,719,188.12
Revenue from others	92,773,372.85	83,842,546.75
	2,588,938,027.55	1,873,978,257.24

### 6. Investment Income

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
Dividend income on holding available-for-sale financial assets	–	2,400,000.00
Income from long-term equity investments accounted for using the cost method	2,520,000.00	–
Income from long-term equity investments under equity method	58,462,814.29	62,904,263.05
Including: Investment income from associates	69,211,543.19	64,919,118.87
Investment income from joint ventures	(10,748,728.90)	(2,014,855.82)
	60,982,814.29	65,304,263.05



# SUPPLEMENTAL INFORMATION ON FINANCIAL STATEMENTS

30 June 2017

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## 1. SCHEDULE OF EXTRAORDINARY PROFIT AND LOSS

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
Losses on disposal of non-current assets	(6,325,454.99)	(114,899.76)
Government grants credited to profit or loss for the current period (except for those closely associated with the normal operations of the Company which were accounted for in certain standard amount or volume in compliance with the requirement of the policies of the State and in accordance with uniform standard of the state)	47,613,120.49	17,249,415.13
Gain on entrusted investment or asset management	1,475,785.40	1,244,016.44
Gain on disposal of investments in a subsidiary	18,707,258.64	–
Non-operating income and expenses other than the above items	875,455.05	(2,371,351.40)
Sub-total	62,346,164.59	16,007,180.41
Less: Effect of income tax	15,586,541.15	3,594,467.88
Less: Effect of non-controlling interests (after tax)	1,070,153.30	773,715.21
Total	45,689,470.14	11,638,997.32

The Company recognizes non-recurring profit and loss according to Explanatory Announcement No.1 on Information Disclosure of Companies Offering Their Securities to the Public – Nonrecurring Profit and Loss (CSRC Announcement [2008] No. 43).

## 2. DILUTED RETURN ON NET ASSETS AND EARNINGS PER SHARE

During the six months ended 30 June 2017 (unaudited)

	Return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to holders of ordinary shares of the company	5.25%	0.12	0.12
Net profit attributable to holders of ordinary shares of the company after deducting the non-recurring gain and loss	4.86%	0.11	0.11

During the six months ended 30 June 2016 (unaudited)

	Return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to holders of ordinary shares of the company	1.16%	0.03	0.03
Net profit attributable to holders of ordinary shares of the company after deducting the non-recurring gain and loss	1.06%	0.02	0.02

# DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“A Share(s)”	the RMB ordinary share(s) issued by the Company in China, which are subscribed for in RMB and listed on the SSE, with a nominal value of RMB1.00 each
“A Share Issue”	on 16 August 2017, the A Shares of the Company were listed on the SSE. 558,000,000 A Shares were issued at RMB2.34 per share to the public, and the Company converted 4,199,559,000 existing Domestic Shares into A Shares
“Audit Committee”	the audit committee of the Board
“Berth”	area for mooring of vessels on the shoreline. A berth means one designated place for a vessel to moor
“Board of Directors” or “Board”	the board of directors of the Company
“Cangzhou Bohai”	Cangzhou Bohai Port Co., Ltd.* (滄州渤海港務有限公司), a company incorporated in the PRC with limited liability on 31 October 2007, with 96.08% of its equity interest held by the Company as at the date of this report
“Cangzhou Mineral”	Cangzhou Huanghuagang Mineral Port Co., Ltd.* (滄州黃驊港礦石港務有限公司), a company incorporated in the PRC with limited liability on 10 April 2012, with 98.47% of its equity interest held by the Company as at the date of this report
“Caofeidian Port”	Caofeidian Port Zone in Tangshan Port, Tangshan City, Hebei Province
“Caofeidian Shiye”	Tangshan Caofeidian Shiye Port Co., Ltd.* (唐山曹妃甸實業港務有限公司), a company incorporated in the PRC with limited liability on 4 September 2002, with 35% of its equity interest held by the Company as at the date of this report
“Company”	Qinhuangdao Port Co., Ltd.* (秦皇島港股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC on 31 March 2008
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“corresponding period of 2016”	the six months ended 30 June 2016
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	ordinary share(s) of our capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“Dry bulk”	solid commodity cargo comprised of major dry bulk (coal, metal ore and grain) and other dry bulk commodities such as sugar, cement and fertilizer
“Global Offering”	the issuance of H Shares of the Company by way of Hong Kong public offering and international offering in 2013
“Group”, “the Group”, “us” or “we”	the Company and all of its subsidiaries (unless the context otherwise requires)
“H Share(s)”	overseas listed foreign invested ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are traded in Hong Kong dollars and listed and dealt in, on the Stock Exchange
“HK\$” or “Hong Kong dollar(s)”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

# DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“HPG”	Hebei Port Group Co., Ltd.* (河北港口集團有限公司), a limited liability company incorporated under the laws of the PRC, previously known as Qinhuangdao Port Group Co., Ltd.* (秦皇島港務集團有限公司), holds 61.11% equity interest of the Company as at the date of this report
“Huanghua Port”	Huanghua Port in Cangzhou City, Hebei Province
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“PRC” or “China”	the People’s Republic of China which, for the purpose of this report, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated 29 November 2013 in connection with the Global Offering
“Qinhuangdao Port”	Qinhuangdao Port in Qinhuangdao City, Hebei Province
“Reporting Period”	the six months ended 30 June 2017
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended from time to time
“Share(s)”	share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, including Domestic Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of our Shares
“SSE”	the Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the member(s) of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of the Company established pursuant to the PRC Company Law
“Terminal”	a major construction of a harbour which is designated for mooring vessels, loading and unloading cargoes and boarding travelers
“TEU” or “container”	a box made of aluminum, steel or fiberglass and used to transport by ship, rail or barge. The standardized dimension (i.e one TEU) is twenty feet in length, eight feet and six inches in height and eight feet in width
“Throughput”	a measure of the volume of cargo handled by a port. Where cargoes are transhipped, each unloading and loading process is measured separately as part of throughput

\* For identification purpose only