



青島港國際股份有限公司

QINGDAO PORT INTERNATIONAL CO., LTD.*

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

Stock Code: 06198

ANNUAL REPORT
2017

*For identification
purpose only

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DEFINITIONS

Unless the context otherwise requires, the following expressions shall have the following meanings:

“2017 AGM”	the annual general meeting for the year 2017 of the Company to be held on 6 June 2018
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Board”	the board of directors of Qingdao Port International Co., Ltd. (青島港國際股份有限公司)
“CFS”	container freight station, of which, container freight station at loading ports refers to the location designated by carriers for the receiving of cargo to be loaded into containers by the carrier, while container freight station at discharge or destination ports refer to the location designated by carriers for de-vanning of containerized cargo
“Company”	Qingdao Port International Co., Ltd. (青島港國際股份有限公司), a joint stock company established in the PRC with limited liability on 15 November 2013
“Consolidated Group Companies”	the Company (including its branches) and its subsidiaries which are consolidated into the consolidated financial statements of the Company
“COSCO SHIPPING Group”	China COSCO Shipping Corporation Limited (中國遠洋海運集團有限公司), a company established in PRC with limited liability and the ultimate controlling shareholder of COSCO SHIPPING Ports and Shanghai China Terminal Development, holding approximately 20% equity interests in the Company, which is a substantial shareholder and a connected person of the Company
“COSCO SHIPPING Ports”	COSCO SHIPPING Ports Limited (中遠海運港口有限公司), a limited liability company established in Bermuda with its shares listed on the Main Board of the Stock Exchange (Stock Code: 1199), holding approximately 18% equity interests in the Company, which is a substantial shareholder and a connected person of the Company
“Dagang Branch”	Dagang Branch of Qingdao Port International Co., Ltd. (青島港國際股份有限公司大港分公司), a branch of the Company, which is mainly engaged in the business of domestic container, break bulk, grains and other cargo handling and ancillary services
“Datang Port”	Datang Qingdao Port Co., Ltd. (大唐青島港務有限公司), a subsidiary acquired by the Company in 2014, in which the Company holds 51% equity interest, which is mainly engaged in construction and management of terminals and its ancillary facilities; procurement, consulting and invitation of tender for the equipment and materials needed by terminals; leasing, maintenance and management of terminals and their ancillary facilities; cargo loading and unloading, warehousing services (excluding dangerous goods) and international freight forwarding
“Director(s)”	the director(s) of the Company
“Dongjiakou Branch”	Dongjiakou Branch of Qingdao Port International Co., Ltd. (青島港國際股份有限公司董家口分公司), a branch of the Company, which was established in July 2015 and mainly engaged in the business of break bulk cargo handling and ancillary services
“Group”	the Company and its branches and subsidiaries; when references are made to operational data such as throughput, including joint ventures and associates of the Company

DEFINITIONS

“Haiwan Liquid Chemical”	Qingdao Haiwan Liquid Chemical Port Operation Co., Ltd. (青島海灣液體化工港務有限公司), a joint venture in which the Company holds 50% equity interest and which is mainly engaged in the business of providing liquid bulk handling and ancillary services
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huaneng Qingdao”	Huaneng Qingdao Port Operation Co., Ltd. (華能青島港務有限公司), a joint venture in which the Company holds 49% equity interest, which is mainly engaged in the business of providing dry bulk cargo and break bulk cargo handling and ancillary services
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mercuria Logistics”	Qingdao Haiye Mercuria Logistics Co., Ltd. (青島海業摩科瑞物流有限公司), a subsidiary acquired by the Company in 2014, in which the Company holds 51% equity interests mainly engaged in freight forwarding, importing and exporting cargo warehousing, transshipment and distribution, construction of warehousing and logistics facilities, etc.
“Mercuria Oil Terminal”	Qingdao Haiye Mercuria Oil Terminal Co., Ltd. (青島海業摩科瑞倉儲有限公司), a subsidiary acquired by the Company in 2014, in which the Company holds 65% equity interests mainly engaged in construction and management of warehouse
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“One Belt and One Road”	the Silk Road Economic Belt and 21st Century Maritime Silk Road
“PRC”	the People’s Republic of China, and for the purpose of this report, excluding Hong Kong, Macau and Taiwan
“New H Shares Issue”	the issuance of the 243,000,000 new H shares of the Company by way of placing pursuant to the specific mandate granted by the shareholders on the 2017 first extraordinary general meeting, 2017 first domestic shareholders’ class meeting and 2017 first H shareholders’ class meeting of the Company held on 10 March 2017
“Prospectus”	the listing document of the Company in relation to the global offering dated 26 May 2014
“QDOT”	Qingdao Port Dongjiakou Ore Terminal Co., Ltd. (青島港董家口礦石碼頭有限公司), a joint venture in which the Company holds 30% equity interests, which is mainly engaged in the business of providing ore, coal and other cargo handling and ancillary services
“QDP”	Qingdao Port (Group) Co., Ltd. (青島港(集團)有限公司), the controlling shareholder of the Company, which holds a proximately 58% equity interests in the Company as at the date of this report
“QDP Investment”	Qingdao Port Investment and Construction (Group) Co., Ltd. (青島港口投資建設(集團)有限責任公司), a wholly-owned subsidiary of QDP
“QDP Financial Holdings”	Qingdao Port Financial Holdings Limited (青島港金融控股有限公司), a wholly-owned subsidiary of QDP

DEFINITIONS

“Qiangang Branch”	Qiangang Branch of Qingdao Port International Co., Ltd. (青島港國際股份有限公司前港分公司), a branch of the Company, which is mainly engaged in the business of providing ore, coal and other cargo handling and ancillary services
“Qingdao Finance”	Qingdao Port Finance Co., Ltd. (青島港財務有限責任公司), a subsidiary jointly established by the Company (holding 70% equity interests) and QDP (holding 30% equity interests), which is mainly engaged in the provision of depository services, credit granting services, financial and financing advisory services, credit assurance services and relevant consulting and agency services; trade receivables collection and payment services; internal fund transfer and settlement services formulation of proposals for the corresponding settlement and clearing services and other financial services to QDP and its group companies
“Qingdao Gangsheng”	Qingdao Gangsheng International Logistics and Refrigeration Co., Ltd. (青島港盛國際物流冷藏有限公司), a connected person of the Company
“Qingdao Port Financial Leasing”	Qingdao Port Financial Leasing Co., Ltd. (青島港國際融資租賃有限公司), a former subsidiary of the Company, which is an indirectly wholly-owned subsidiary of QDP currently
“Qingdao OST”	Qingdao Ocean Shipping Tally Co., Ltd. (青島外輪理貨有限公司), a subsidiary in which the Company holds 84% equity interests, which is mainly engaged in the business of providing tallying services
“Qingdao Port Logistics”	Qingdao Port International Cargo Logistics Co., Ltd. (青島港國際物流有限公司), a wholly-owned subsidiary of the Company, which is mainly engaged in the business of providing logistics value-added services, such as transportation and agency service
“Qingdao Shihua”	Qingdao Shihua Crude Oil Terminal Co., Ltd. (青島實華原油碼頭有限公司), a joint venture in which the Company holds 50% equity interests, which is mainly engaged in the business of providing liquid bulk handling and ancillary services
“Qingwei Container”	Weihai Qingwei Container Terminal Co., Ltd. (威海青威集裝箱碼頭有限公司), a joint venture in which the Company holds 49% equity interests, which is mainly engaged in the business of providing container handling and ancillary services
“Qingyin Financial Leasing”	Qingdao Qingyin Financial Leasing Co., Ltd. (青島青銀金融租賃有限公司), an associate in which the Company holds 9% equity interests, which is mainly engaged in leasing of operating assets
“QQCT”	Qingdao Qianwan Container Terminal Co., Ltd. (青島前灣集裝箱碼頭有限責任公司), a joint venture in which the Company holds 51% equity interests, which is mainly engaged in the business of providing container handling and ancillary services
“Shanghai China Shipping Terminal”	Shanghai China Shipping Terminal Development Co., Ltd., a company established in the PRC and a wholly-owned subsidiary of COSCO Shipping Port Co., Ltd.
“Subscription of Domestic Shares”	the subscription of an aggregate of 1,015,520,000 new domestic shares of the Company by Shanghai China Shipping Terminal

DEFINITIONS

“TEU”	twenty-foot equivalent unit, a standard unit of measurement of the volume of a container with a length of 20 feet, a height of eight feet and six inches and a width of eight feet
“Valemax”	the largest dry bulk carrier in the world with a capacity of up to 400,000 DWTs, which is mainly used to transport, among other things, ore and ore sand exploited from mines in Brazil
“West United”	Qingdao Qianwan West Port United Terminal Co., Ltd. (青島前灣西港聯合碼頭有限責任公司), a joint venture in which the Company holds 51% equity interests (but is not consolidated into consolidated financial statements of the Company as the Company does not have control over it), and which is mainly engaged in the business of providing dry bulk cargo and break bulk cargo handling and ancillary services

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

CORPORATE INFORMATION

CHINESE NAME OF THE COMPANY

青島港國際股份有限公司

ENGLISH NAME OF THE COMPANY

Qingdao Port International Co., Ltd.

LEGAL REPRESENTATIVE

Mr. ZHENG Minghui

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

(1) Headquarters in the PRC:

7 Ganghua Road
City North District, Qingdao
Shandong Province, PRC

(2) Principal Place of Business in Hong Kong:

36th Floor
Tower Two, Times Square
1 Matheson Street Causeway Bay
Hong Kong

DATE OF LISTING

6 June 2014

PLACE OF LISTING

Main Board of The Stock Exchange of Hong Kong Limited

ABBREVIATED CHINESE STOCK NAME

青島港

ABBREVIATED ENGLISH STOCK NAME

Qingdao Port

STOCK CODE

06198

TELEPHONE

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BOARD OF DIRECTORS

(1) Executive Directors

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

(2) Non-executive Directors

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

(3) Independent Non-executive Directors

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

SUPERVISORY COMMITTEE

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

CORPORATE INFORMATION

JOINT COMPANY SECRETARIES

Mr. CHEN Fuxiang
Ms. LAI Siu Kuen

AUTHORISED REPRESENTATIVES

Mr. ZHENG Minghui
Ms. LAI Siu Kuen

SPECIAL COMMITTEES OF BOARD OF DIRECTORS

(1) Strategy and Development Committee

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

(2) Audit Committee

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

(3) Remuneration Committee

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

(4) Nomination Committee

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

H SHARE REGISTRAR

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

LEGAL ADVISERS

(1) As to Hong Kong law:

Freshfields Bruckhaus Deringer
55th floor, One Island East
Taikoo Place, Quarry Bay, Hong Kong

(2) As to PRC law:

Jia Yuan Law Offices
F408 Ocean Plaza
158 Fuxing Men Nei Avenue
Xicheng District
Beijing, PRC

AUDITOR

PricewaterhouseCoopers Zhong Tian LLP
11th Floor, PricewaterhouseCoopers Center,
Link Square 2, 202 Hu Bin Road,
Huangpu District, Shanghai, PRC

PRINCIPAL BANKERS

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

COMPANY PROFILE



The Port of Qingdao commenced operations in 1892 and is one of the largest comprehensive ports in the world. It occupies a central position among ports in Northeast Asia and is an important hub of international trade in the West Pacific.

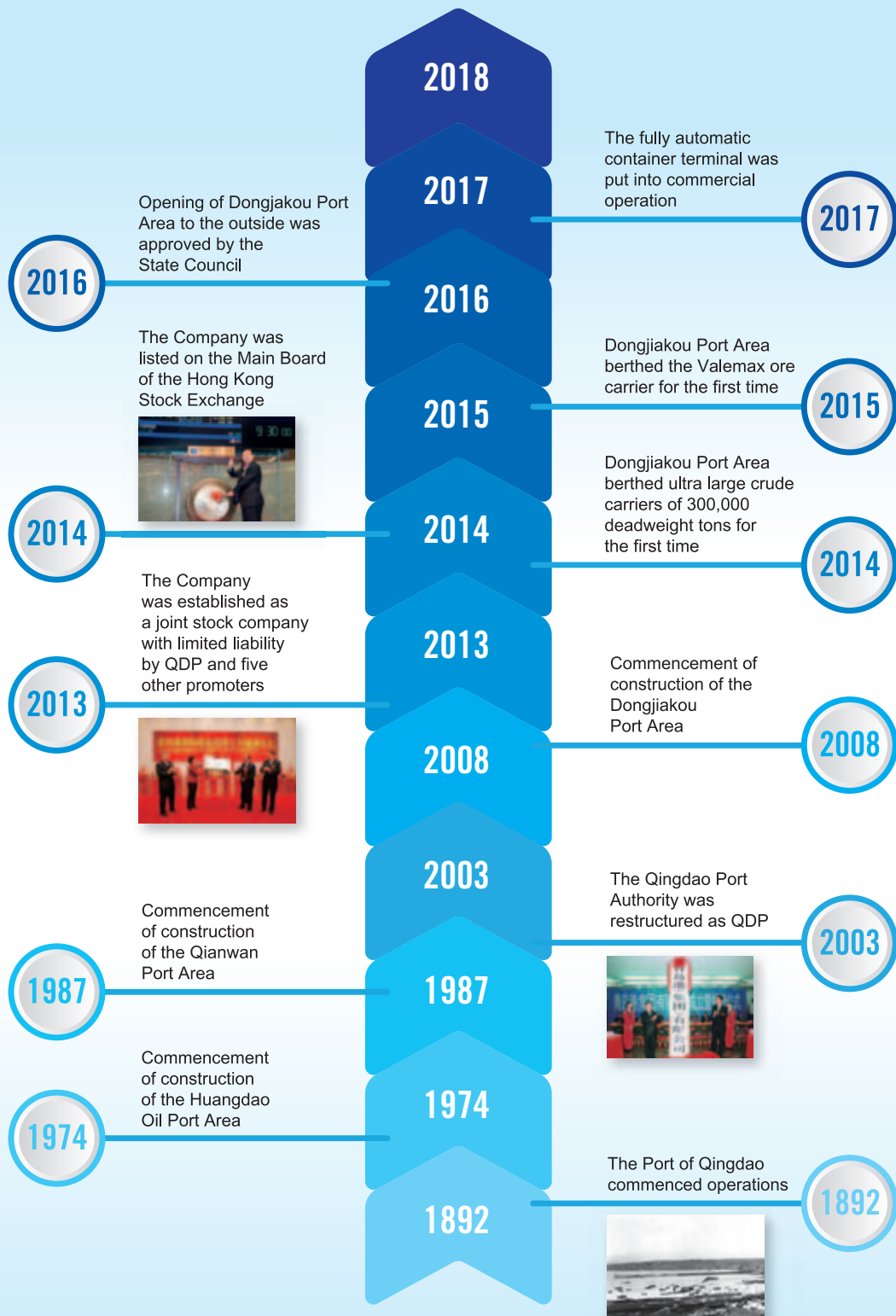
The Company was established on 15 November 2013, and was listed on the Main Board of the Hong Kong Stock Exchange on 6 June 2014.

The Group is the primary operator of the Port of Qingdao and operates four port areas in Qingdao, including Qingdao Qianwan Port Area, Huangdao Oil Port Area, Dongjiakou Port Area and Dagang Port Area. It is mainly engaged in the handling of different types of cargoes such as container, metal ore, coal and crude oil and the provision of ancillary services, logistics and port value-added services, port ancillary services and financial services.

As of 31 December 2017, the Group operated 84 berths at the Port of Qingdao, which included 54 berths dedicated to handling a single type of cargo and 30 berths capable of handling metal ore, coal and other general cargo.

Leveraging on the natural deep-water capacity and industry-leading facilities and equipment, the Group can accommodate the world's largest container vessels, iron ore vessels and oil tankers. It also possesses world-leading stevedoring efficiency. During the year, the Group continued ranking first in the world in terms of the berth efficiency of Maersk vessels at the Port of Qingdao, with a single-machine average operating rate of 39.6 units/hour for fully automatic container terminal and a single-machine unloading rate continued to maintain at 2,856 tons per hour for iron ore.

COMPANY PROFILE

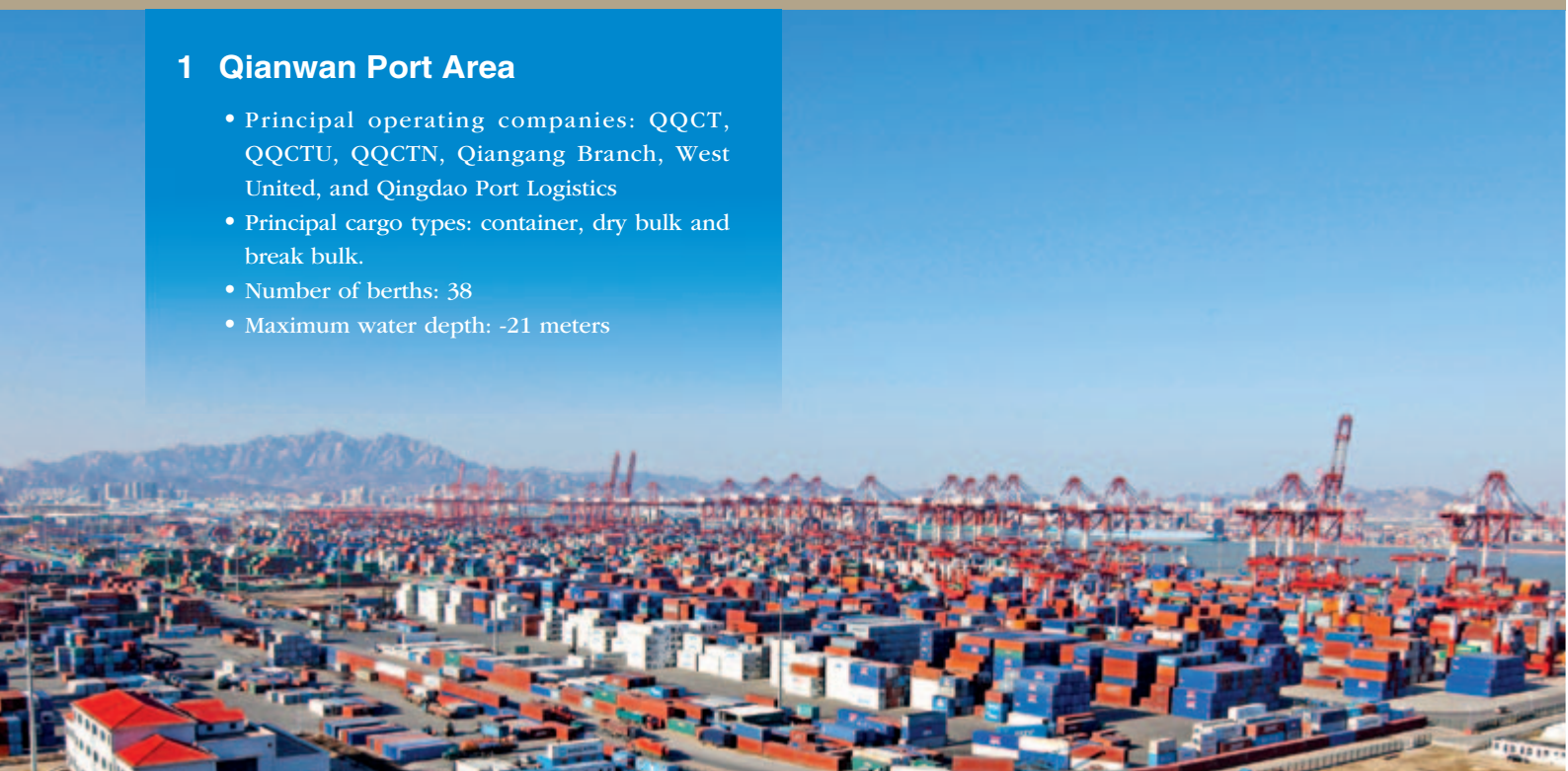


COMPANY PROFILE

DISTRIBUTION OF PORT AREAS

1 Qianwan Port Area

- Principal operating companies: QQCT, QQCTU, QQCTN, Qiangang Branch, West United, and Qingdao Port Logistics
- Principal cargo types: container, dry bulk and break bulk.
- Number of berths: 38
- Maximum water depth: -21 meters



2 Huangdao Oil Port Area

- Principal operating company: Qingdao Shihua
- Principal cargo type: liquid bulk
- Number of berths: 11
- Maximum water depth: -24 meters



Note: For details of above operating entities, please refer to the Note 9 to the financial statement.

3 Dongjiakou Port Area

- Principal operating companies: Dongjiakou Branch, QDOT, Qingdao Shihua, Mercuria Oil Terminal, Mercuria Logistics, Datang Port and Huaneng Qingdao
- Principal cargo type: dry bulk, liquid bulk and break bulk cargo
- Number of berths: 17
- Maximum water depth: -25 meters



4 Dagang Port Area

- Principal operating company: Dagang Branch
- Principal cargo type: container, break bulk and liquid bulk
- Number of berths: 18
- Maximum water depth: -15 meters



2017 MAJOR EVENTS



2017 MAJOR EVENTS

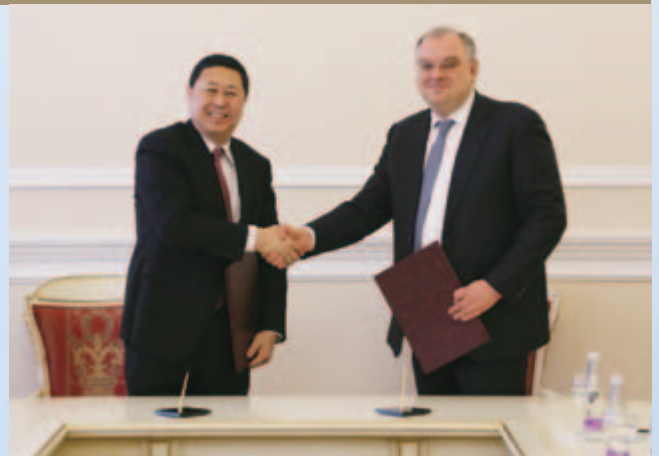
January:

The Company entered into a strategic cooperation agreement with COSCO SHIPPING Ports Limited, the latter became a shareholder of the Company at approximately RMB5.8 billion, which included the 20% equity interests in QQCT held by Shanghai China Shipping Terminal and cash of RMB2.6 billion, through its wholly-owned subsidiary, Shanghai China Shipping Terminal Development, which further deepened the strategic cooperation between the Company and COSCO SHIPPING Group, committing to building Qingdao Port into an international shipping center in Northeast Asia jointly.

March:

The Company entered into a sister-port relations agreement with St. Petersburg Port, Russia to reach a consensus on cooperation in areas such as port development and construction, operation and management, and green and low carbon production.

Qingdao Port Jieyuntong Logistics Co., Ltd. Xining Branch, in which the Company indirectly holds 51% equity interests, commenced its operations to further open up the logistics channel between Qinghai and Qingdao Port, and expand the market “grid” layout in depth.



April:

Mr. ZHENG Minghui, Chairman of the Company, visited New York, the United States New York & New Jersey Port, Miami Port, Long Beach Port and Vancouver Port, Canada to promote communications and cooperation within ports in China and North America, and a sister-port relations agreement with Miami Port, the United States on behalf of Qingdao Port.



2017 MAJOR EVENTS

May:

The world's leading fully automatic container terminal, which is the first one in Asia, operated by Qingdao New Qianwan Container Terminal Co., Ltd., in which QQCT holds 92.21% equity interests, was put into commercial operation.



June:

The Company entered into a strategic cooperation agreement with Urumqi international inland port area to jointly build up Xinjiang inland ports of Qingdao Port.



July:

The Company held an informal meeting with dry bulk cargo customers, more than 100 representatives from nearly 60 trading companies attended to give suggestions for the development of the Company.



2017 MAJOR EVENTS

August:

The first phase of the Dongjiakou Port-Weifang-Central and Northern Shandong oil pipeline construction project and the auxiliary tank area in Weifang were put into pilot operation, which built a safe, green, and economic transportation channel for refining enterprises in Shandong and laid the foundation for the sustainable development of the Company's liquid bulk segment.

The Company entered into a strategic cooperation agreement with Sany Group to promote the cooperation between the two parties in research and development, design, manufacture and marketing of port machinery and equipment.



September:

Mr. ZHENG Minghui, Chairman of the Company, visited the regional headquarters of Maersk Towage in Australia. The Company entered into a framework agreement on strengthening strategic cooperation with Svitzer Asia Pte. Ltd. to promote the strategic cooperation between the two parties in overseas tug boats and achieve win-win development.

The Company entered into a strategic cooperation framework agreement on the iron and ore business with Vale of Brazil to promote further cooperation between the two parties.

October:

Mr. ZHENG Minghui, Chairman of the Company, visited Maersk Group, Mediterranean Shipping, CMA CGM, Hapag-Lloyd Shipping Co. Ltd headquarters and COSCO Group European headquarters to have a high-level communication in respect of promoting in-depth cooperation between the two parties in 2018.

The application for issuance and listing of the A Shares of the Company was formally accepted by China Securities Regulatory Commission.



2017 MAJOR EVENTS

November:

The Company entered into a strategic cooperation agreement on the logistics segment with COSCO SHIPPING Logistics Co., Ltd. (中遠海運物流有限公司). The cooperation areas of the two parties were expanded from the shipping and terminal business segments to the logistics business segment.

December:

In the operation of “ZIM CHICAGO”, the fully automated container terminal of the Company completed the stevedoring of 1,785 units in 9 hours and 5 minutes in a safe and high quality manner. The single-machine average operating rate reached 39.6 units/hour, creating the highest average operating efficiency record in single-machine of the global automated terminals.

The Company held 2018 international crude oil trade development conference, more than 50 refining enterprises and trading companies attended the conference to discuss cooperation and development plans.



FINANCIAL HIGHLIGHTS

I. REVENUE

Unit: RMB'000

	2017	2016	2015	2014	2013
Gross profit	3,330,122	2,631,426	2,074,947	2,015,282	2,212,355
Period expenses	373,174	526,120	344,580	592,043	772,051
Investment income	1,171,489	803,944	843,129	618,567	514,342
Profit before income tax, depreciation and amortization	4,851,727	3,561,257	2,995,801	2,504,874	2,558,358
Total Profit	3,990,790	2,864,614	2,450,195	2,022,173	1,931,642
Net profit	3,240,363	2,299,092	1,979,137	1,626,671	1,513,482
Including: amounts attributable to shareholders of the Company	3,042,959	2,186,154	1,911,916	1,591,162	1,492,180

II. ASSETS

Unit: RMB'000

	2017	2016	2015	2014	2013
Total assets	48,053,652	38,282,574	31,681,833	28,569,335	10,923,186
Total liabilities	22,990,996	22,800,015	18,133,938	15,905,874	10,923,186
Including:					
borrowings and bonds payable	4,314,267	3,923,668	492,296	188,261	—
Total equity	25,062,656	15,482,559	13,547,895	12,663,461	8,830,136
Including: share capital	6,036,724	4,778,204	4,778,204	4,778,204	4,000,000
Equity attributable to the shareholders of the Company	23,554,663	14,235,724	12,664,440	11,862,055	8,781,188
Equity per share attributable to the shareholders of the Company (RMB/share)	3.90	2.98	2.65	2.48	2.20
Asset-liability ratio	47.8%	59.6%	57.2%	55.7%	55.3%

FINANCIAL HIGHLIGHTS

III. FINANCIAL INDICATORS

Unit: RMB

	2017	2016	2015	2014	2013
Earnings per share	0.55	0.46	0.40	0.36	0.41
Dividend payments per 1,000 shares		130.46	139.08	61.91	—
Special dividends per 1,000 shares to promoters prior listing paid		—	—	162.60	—
Return on total assets	7.51%	6.57%	6.57%	6.73%	6.58%
Weighted average return on net assets	15.54%	16.25%	15.4%	15.48%	12.72%

CHAIRMAN'S STATEMENT



TO SHAREHOLDERS:

On behalf of the Board of the Company, I am pleased to present the annual report of the Company for the year ended 31 December 2017 to each of the shareholders.

In 2017, with a pickup in growth rate of the world economy and the continuous deepening in the supply-side structural reforms of China's economy, under the theme of transformation and reform, the Company adhered to focusing on the economic benefits and driving by innovation, proactively developed modern logistics, carried out in-depth implementation of "Three Strategies" of finance, internationalization and Internet to seize new opportunities, achieved cargo throughput and maintained steady growth in operation performance through internally strengthening management and externally expanding market.

The terminal business sustained steady growth. With respect to the container business, the Group strongly promoted the headquarters strategy and accelerated the establishment of transshipment channels, 12 new shipping lines were opened throughout the year and the international transshipment increased by 48% over the same period of last year. With respect to the dry bulk cargo business, the Group took the interaction advantage of the port resources, ranking the first among ports in China in respect of the berthing amount of 400,000 tons of large ore carriers. The coal, coke, non-ferrous metal ore and other cargo achieved incremental development which the aluminium oxide, vehicle equipment and other cargo recorded a significant increase over the same period of last year. With respect to the liquid bulk business, the Group strengthened the interaction of Huangdao Oil Port Area and Dongjiakou Port Area, developed integrative efforts of pipeline, railways, highways and waterways to realize rapid growth in the throughput.

CHAIRMAN'S STATEMENT

The modern logistics business expanded rapidly. The Group strengthened the integration of terminal, logistics, information, finance and other elements to create a “door-to-door” integrated logistics service system. The logistics segment achieved a profit of over RMB1.5 billion. With respect to the sea-rail intermodal transport business, six lines were newly opened with total number of lines reached 37 and container volume of the intermodal transport ranked the first among the ports of China. With respect to the shipping agency business, the Group worked together with the terminal company to expand the market, which increased by 73% over the same period of last year. With respect to the container freight station business, operating volume of the containers increased by 43% over the same period of last year, ranking the first among the ports of Qingdao. Inland ports and regional marketing centres such as Xining, Weifang, Linqing and Pingyuan were newly established to further consolidate and expand the hinterland market. The iron ore, coke, soybean and other futures settlement business were fully carried out to achieve incremental expansion.

The Group made solid progress in “Three Strategies”. In terms of the Financial Strategy, the Group implemented centralized management and control of funds, effectively used funds, and reduced financial costs. By taking full use of licenses of Qingdao Finance, the Group enriched the investment varieties and achieve good returns. In terms of the Internationalization Strategy, the overseas projects such as the crude oil terminal in Myanmar Mude Island and the Vado Ligure Port in Italy were under good operation. The Group established sister-ports with St. Petersburg Port, Russia and Miami Port, the United States. In terms of the Internet Strategy, the Group accelerated the construction of intelligent port. The most advanced fully automated container terminal in the world was established and commenced operation, creating a world record of a single-machine average operating rate of 39.6 units/hour and developing the “Qingdao model” for the construction and operation of global automated terminal. The online settlement center, e-commerce logistics platform and highway transport platform commenced operation, and the standards of intelligent terminal operations, e-commerce logistics services were continued to improve.

The development strength continued to increase. The first phase of Dongjiakou Port-Weifang-Central and Northern Shandong oil pipeline construction project and oil tank of the auxiliary tank area in Weifang were put into operation, which built a safe, green, economic transportation channel for refining enterprises in Shandong. The construction of key projects, including the second and third phase of Dongjiakou Port- Weifang- Central and Northern Shandong oil pipeline construction project and the railway connected to the port in Dongjiakou Port Area which go directly to the refining enterprises in Shandong have been accelerated. COSCO SHIPPING Ports became a shareholder of the Company at approximately RMB5.8 billion through its wholly-owned subsidiary, Shanghai China Shipping Terminal, committing to developing Qingdao Port into an international shipping center in Northeast Asia.

The corporate governance was further improved. According to the regulatory requirements of A+H shares listed companies, the Group amended and improved 29 governance systems to maintain Lawful and compliance operation and establish a good image as a listed company. The Group strengthened the comprehensive budget management, strictly controlled the budget's implementation, improved the Key Performance Indicator (KPI) evaluation system, and comprehensively used the quantity and quality indicators to evaluate management performance to push forward the management upgrade. The Group strengthened cost management, established the whole process cost analysis model of core cargo types, optimized the process technology and resource allocation, and reduced the production cost per ton. The Group strengthened human resources management, carried out training for all staff, optimized the structure of the workforce. Professionals, technicians and senior technicians who had obtained various types of national professional and technical titles increased by more than 670. The Group also fully mobilized the enthusiasm of the staff by improving the evaluation and compensation mechanism.

CHAIRMAN'S STATEMENT

In 2017, the cargo throughput of the Group was 458 million tons, representing an increase of 3.5% over the same period of last year, of which the foreign trade throughput was 353 million tons, representing an increase of 7.2% over the same period of last year. As of 31 December 2017, the Company achieved a net profit attributable to shareholders of the Company of RMB3,043 million, representing an increase of 39.2% over the same period of last year, and earnings per share was RMB0.55.

It is expected that the world economy will maintain its growth momentum and China's economy will shift from high-speed growth to high-quality development in 2018. The Company will continue to adhere to innovative, coordinative, green, open and shared development principle, stick to the keynote of "quality and efficiency improvement and enhancement, innovation and development", promote the increase of both business volume and efficiency of terminal stevedoring, enlarge the scale merit of emerging industries, expand the space for international development, enhance the momentum for transformation and development, enhance the management efficiency of the Company, and accelerate the construction of a world-class ocean port to create greater shareholder value.

Last but not least, I would like to take this opportunity to thank, on behalf of the Board, all staff of their hard work in the past year, and extend my sincere gratitude to our shareholders and business partners for their confidence and strong support.

ZHENG Minghui
Chairman

19 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS



1. MACRO SITUATION AND INDUSTRY OVERVIEW

In 2017, the national economy of China remained stable with good momentum in general in spite of the difficulties and pressures faced by the macro economy. The growth rate of the gross domestic product (GDP) of China for 2017 increased by 0.2 percentage point to 6.9% as compared to the same period in the prior year. The scale of export and import of goods further expanded. The total export and import trade value of China for 2017 increased by 14.2% and 18.7%, respectively as compared to the same period in the prior year (Sources: National Bureau of Statistics of the PRC).

In 2017, the port industry in China maintained the trend of stable development. The total amount of cargo throughput of the above-scale coastal ports increased by 6.4% as compared to the same period in the prior year, and the throughput of foreign trade cargo rose by 5.3% as compared to the same period in the prior year (Sources: Ministry of Transport of the PRC). The increasingly intensive competition among port operators prompted the port industry to develop in depth. Those operators who are equipped with superior docking capacity, integrated logistics system and port industry chain and diversified profit model had stood out from the competitors.

In 2017, the Group positively coped with the changes of the macro economy and vigorously transformed and upgraded its business model by seizing the opportunities brought by the supply-side reform of port services. Relying on its terminal business as the foundation, the Group implemented the headquarters strategy, strengthened marketing and strove to develop its logistics, finance, internet and other emerging businesses. Owing to this, the Group remained as a leading first-class domestic port operator, achieved sustainable and steady growth, and provided satisfactory returns to the shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

2. REVIEW OF BUSINESS AND FINANCIAL CONDITION

In the aspect of terminal business, the Group accurately grasped business opportunities arising from the industry trend, such as the alliance in the container shipping business, large-size vessels, an increase amount of Valemax ore carriers entering into China, an increase in quota of crude oil processing and importing for regional refineries in Shandong Province. Relying on our professional and efficient deep water terminals, developed collection and distribution network system, continuously increasing storage capacity of the storage yard and the oil tank and improving industry chains for ancillary processing and value-added service, the Group designed a comprehensive “door-to-door” logistics services solution which turned its advantages in infrastructure and management into its competitiveness and laid the foundation for a sustainable development.

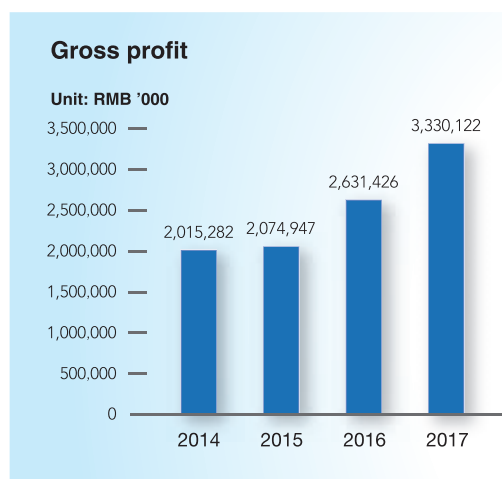
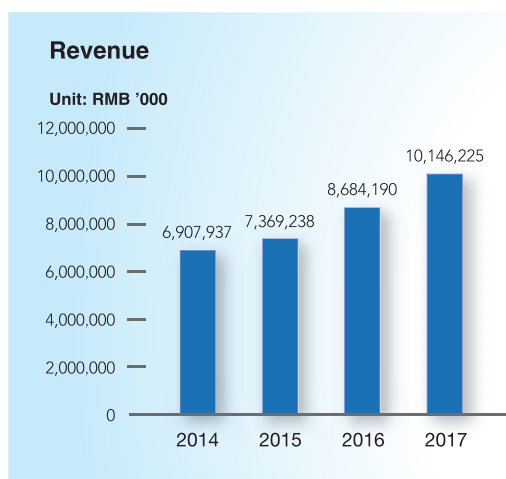
In the aspect of new businesses, the Group scientifically planned its investment portfolio to take full advantage of the port’s ability in terms of supply chain resource allocation and make full use of various social resources, and improved the operating efficiency of social logistics resources through information technology, in order to provide the clients with a whole industry chain integrated logistics services including agency, stevedoring, CFS and storage, transportation and other services. Meanwhile, by efficiently integrating and matching the financial resources and funding needs of port-related entities and providing financial services such as deposits, loan, electronic banking notes and letter of guarantee, the Group has established a diversified profit increasing model.

1 Review of Overall Business and Results

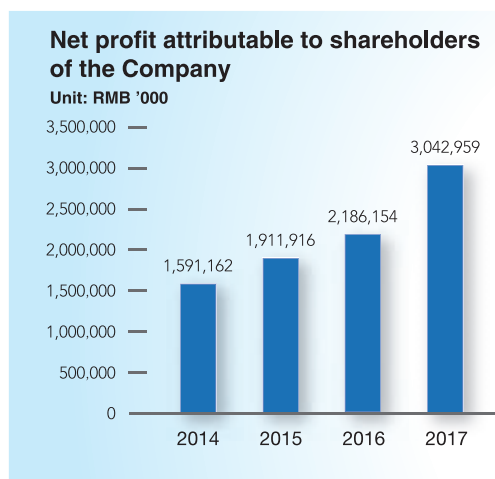
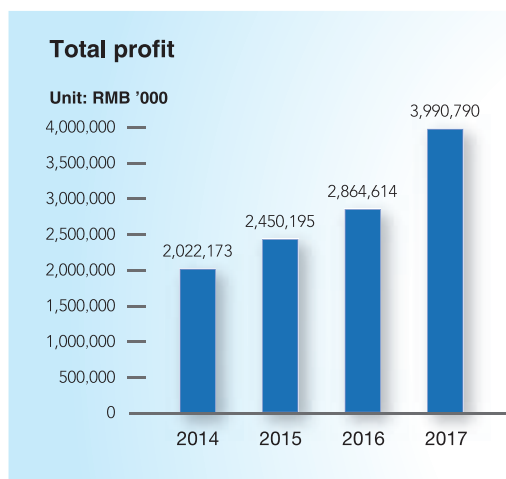
The Group is the primary operator of the Port of Qingdao, one of the world’s largest comprehensive ports, and is mainly engaged in six segments, including container handling and ancillary services, metal ore, coal and other cargo handling and ancillary services, liquid bulk handling and ancillary services, logistics and port value-added services, port ancillary services and financial services.

For the year ended 31 December 2017, the cargo throughput of the Group together with its joint ventures and associates (without taking into account the respective shareholding percentage the Company has in those joint ventures and associates) amounted to 458 million tons in total, representing an increase of 3.5% as compared to the same period in the prior year, among which, the foreign trading cargo throughput amounted to 353 million tons, representing an increase of 7.2% as compared to the same period in the prior year.

Comparison of Major Operating Indicators



MANAGEMENT DISCUSSION AND ANALYSIS



The total revenue of the Group amounted to RMB10,146 million for the year ended 31 December 2017, representing an increase of RMB1,462 million or 16.8% as compared to the same period in the prior year. Such increase was mainly due to the increases in revenue from segments of logistics and port value-added services, liquid bulk handling and ancillary services and metal ore, coal and other cargo handling and ancillary services.

The gross profit of the Group was RMB3,330 million for the year ended 31 December 2017, representing an increase of RMB699 million or 26.6% as compared to the same period in the prior year. Such increase was mainly due to the increases in gross profit of segments of logistics and port value-added services and liquid bulk handling and ancillary services.

The selling and administration expenses of the Group was RMB522 million for the year ended 31 December 2017, representing a decrease of RMB129 million or 19.8% as compared to the same period in the prior year. Such decrease was mainly due to the decrease in the provision for supplemental retirement benefits and the early retirement benefits of RMB160 million as compared to the same period in the prior year.

The investment income of the Group from joint ventures and associates amounted to RMB1,117 million for the year ended 31 December 2017, representing an increase of RMB324 million or 40.9% as compared to the same period in the prior year. In particular, the increases in investment incomes of RMB189 million and RMB135 million were attributable to the increase of the Company's shareholding in QQCT from 31% to 51% and the increases in profits from all the business segments of the joint ventures and associates, respectively.

The total profit of the Group amounted to RMB3,991 million for the year ended 31 December 2017, representing an increase of RMB1,126 million or 39.3% as compared to the same period in the prior year.

The Group achieved the net profit attributable to shareholders of the Company of RMB3,043 million for the year ended 31 December 2017, representing an increase of RMB857 million or 39.2% as compared to the same period in the prior year.

MANAGEMENT DISCUSSION AND ANALYSIS

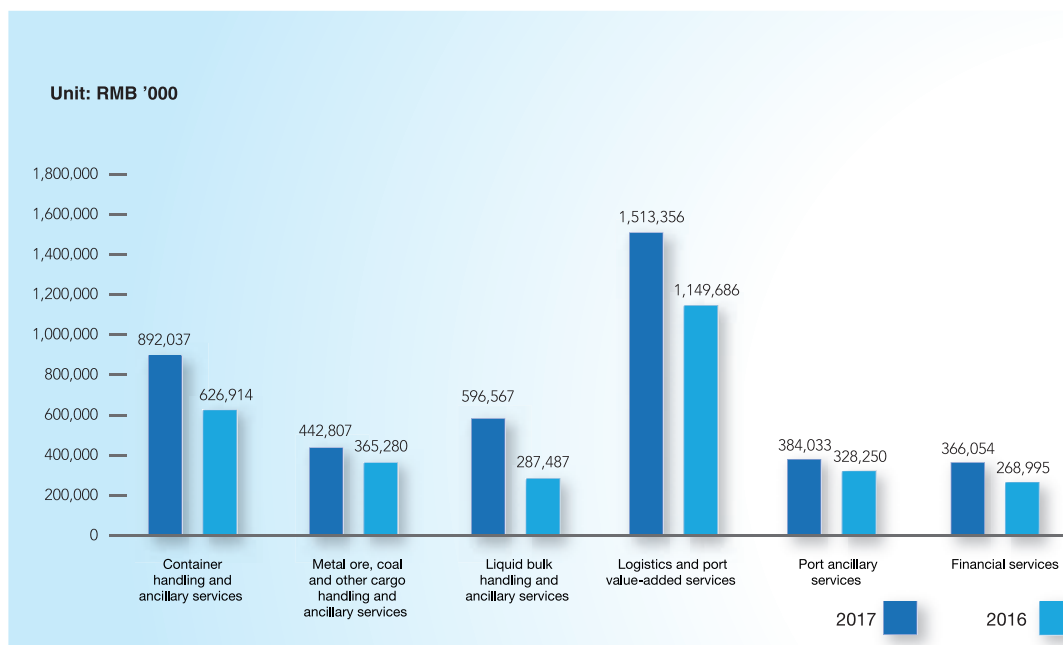
2. Segment Review and Business Review

Segment Results

Unit: RMB'000

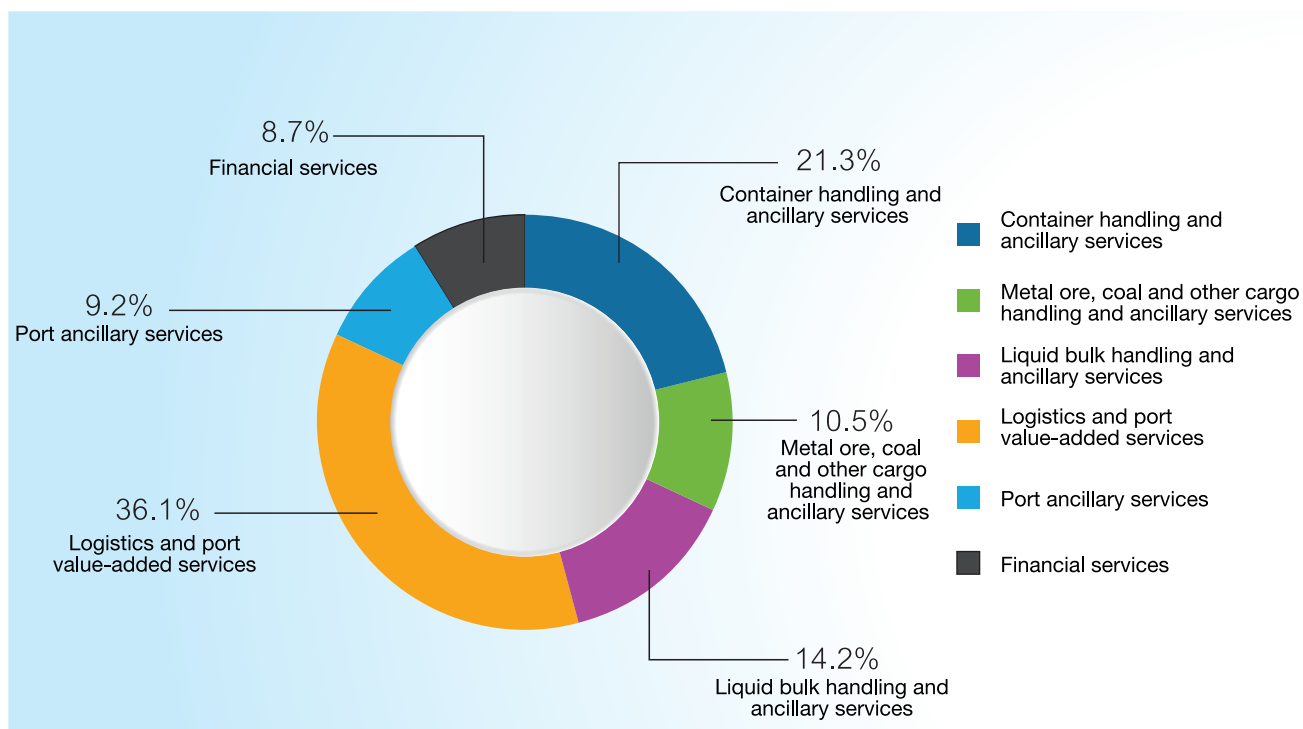
Business Segments	2017		2016		Change
	Results	Percentage of the total	Results	Percentage of the total	
Container handling and ancillary services	892,037	21.3%	626,914	20.7%	42.3%
Metal ore, coal and other cargo handling and ancillary services	442,807	10.5%	365,280	12.1%	21.2%
Liquid bulk handling and ancillary services	596,567	14.2%	287,487	9.5%	107.5%
Logistics and port value-added services	1,513,356	36.1%	1,149,686	38.0%	31.6%
Port ancillary services	384,033	9.2%	328,250	10.8%	17.0%
Financial services	366,054	8.7%	268,995	8.9%	36.1%
Total results before inter-segment elimination	4,194,854	100.0%	3,026,612	100.0%	38.6%

Comparison of Segment Results



MANAGEMENT DISCUSSION AND ANALYSIS

Breakdown of each segment result for the year ended 31 December 2017



MANAGEMENT DISCUSSION AND ANALYSIS

On the basis of further expanding and improving the basic port business of stevedoring by consolidating its advantages, the Group maintained a sustainable and healthy growth of the operation results by taking full advantages of its port resources, further implementing the construction of modern logistics together with “The Three Strategies”, namely, the Financial Strategy, the Internationalization Strategy, and the Internet Strategy, and created a diversified comprehensive port ecosystem.

The details are set out as below:

(1) Container handling and ancillary services



Unit: RMB'000

Item	2017	2016	Changed amount	Changed percentage
Consolidated Group Companies				
Revenue	234,825	192,632	42,193	21.9%
Cost of sales	69,523	65,817	3,706	5.6%
Gross profit	165,302	126,815	38,487	30.3%
Profit of Consolidated Group Companies	163,693	118,351	45,342	38.3%
Joint ventures				
Revenue	3,555,468	3,369,157	186,311	5.5%
Cost of sales	1,230,204	1,136,009	94,195	8.3%
Share of post-tax profit of joint ventures	728,344	508,563	219,781	43.2%
Segment results	892,037	626,914	265,123	42.3%

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

For the year ended 31 December 2017, focusing on the goal of constructing the “International Hub Port in Northeastern Asia”, the Group innovated its marketing model, developed the international transshipment business, perfected the layout of its inland network system, and continued to improve its development advantage of container businesses. The main breakthroughs achieved in 2017 were as follows:

MANAGEMENT DISCUSSION AND ANALYSIS

- (1) The Group further implemented the headquarter strategy for shipping companies and innovated the grid marketing model, attracting shipping companies opening additional 12 shipping lines, including seven lines linked to the Middle East, West Africa and Southeast Asia areas covered by the “One Belt and One Road”, which further optimized the layout of shipping lines of the Group. By optimizing its commercial policies and prompting the opening of transshipment channels, the international transshipment container volume increased by 48% as compared to the same period in the prior year;
- (2) The Group seized opportunities brought by national strategies to expand the scope of the sea-rail intermodal transportation system and expand its presence in inland ports. The Group achieved an increase of 55% in the container volume of the sea-rail intermodal transportation as compared to the same period in the prior year, further strengthening its influence over the hinterland market;
- (3) The Group established a large customer service system based on key export and import cargo types and consolidated the port cargo sources. The operation volume of foreign trade loaded containers grew quickly; and
- (4) The fully automatic container terminal, with a stable single-machine average operating rate of 32 units/hour, was put into commercial operation in May 2017, which further enhanced the capacity and efficiency of the Group’s container terminals and expanded the space for the continuous development of the container business.

For the year ended 31 December 2017, the revenue from container handling and ancillary services amounted to RMB235 million, representing an increase of 21.9% as compared to the same period in the prior year, which was mainly due to the increases in port facilities rental incomes of container stevedoring business and port management income. The segment result of container handling and ancillary services was RMB892 million, representing an increase of RMB265 million or 42.3% as compared to the same period in the previous year. Such increase was mainly due to the increase in investment income of RMB189 million resulting from the increase of the Company’s shareholding in QQCT from 31% to 51%. After eliminating the impact of the aforesaid factor, the increase was 12.1% as compared to the same period in the prior year.

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



MANAGEMENT DISCUSSION AND ANALYSIS

Unit: RMB'000

Item	2017	2016	Changed amount	Changed percentage
Consolidated Group Companies				
Revenue	3,045,092	2,838,491	206,601	7.3%
Cost of sales	2,380,031	2,158,172	221,859	10.3%
Gross profit	665,061	680,319	-15,258	-2.2%
Profit of Consolidated Group Companies	418,700	345,209	73,491	21.3%
Joint ventures				
Revenue	1,449,998	1,289,231	160,767	12.5%
Cost of sales	1,042,343	955,486	86,857	9.1%
Share of post-tax profit of joint ventures	24,107	20,071	4,036	20.1%
Segment results	442,807	365,280	77,527	21.2%

Note: Amounts of revenue and cost of sales of joint ventures represent the total amount of revenue and cost of sales in the financial information of joint ventures of the Company such as QDOT, West United and Huaneng Qingdao without taking into account of the respective shareholding percentages held by the Company in those joint ventures.

For the year ended 31 December 2017, the Group seized the market opportunity of “Age of Large-Sized Vessel” led by Valemax and provided the customers with logistic supply chain solutions to promote the integration of cargo source. The main breakthroughs achieved in 2017 were as follows:

- (1) The Group implemented headquarters marketing to strengthen the integration of trade ores. More efforts were put on the development of value-added services such as mixing ore, matching ore and bonded services. As a result, Valemax ore vessels berthed 29 times, ranking the first among the coastal ports in China. The operation volume of mixing ore reached more than 16 million tons, which was doubled over the same period in the prior year;
- (2) The Group strengthened the joint marketing with railway systems to expand the new markets and customers in Shanxi, Henan and other inland areas; and
- (3) The Group scientifically planned the routes of transportation for the clients, and provided them with the solution of whole-process logistics and value-added services to strengthen the client dependency and to improve the market competitiveness.

For the year ended 31 December 2017, the revenue of metal ore, coal and other cargo handling and ancillary services was RMB3,045 million, representing an increase of 7.3% as compared to the same period in the prior year. Such increase was mainly due to the increase in the revenue because of the commencement of the whole-process logistics business covering stevedoring and other ancillary services, while the cost of sales increased at the same time. The gross profit amounted to RMB665 million, representing a decrease of 2.2% as compared to the same period in the prior year, which was mainly attributed to the increase in variable cost such as material consumption. The segment results was RMB443 million, representing an increase of RMB78 million as compared to the same period in the prior year, which was mainly due to the decrease in the provision for supplemental retirement benefits and the early retirement benefits of RMB80 million as compared to the same period in the prior year.

MANAGEMENT DISCUSSION AND ANALYSIS

(3) Liquid bulk handling and ancillary services



Unit: RMB'000

Item	2017	2016	Changed amount	Changed percentage
Consolidated Group Companies				
Revenue	551,692	127,833	423,859	331.6%
Cost of sales	152,527	29,614	122,913	415.1%
Gross profit	399,165	98,219	300,946	306.4%
Profit of Consolidated Group Companies	329,618	89,153	240,465	269.7%
Joint ventures				
Revenue	1,560,382	1,027,887	532,495	51.8%
Cost of sales	792,960	432,187	360,773	83.5%
Share of post-tax profit of joint ventures	266,949	198,334	68,615	34.6%
Segment results	596,567	287,487	309,080	107.5%

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

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2017, the Group seized the opportunity of the increase in import and process of crude oil quota of local refineries in Shandong province to accelerate the construction and operation of the Dongjiakou Port- Weifang- Central and Northern Shandong oil pipeline construction project and the auxiliary tank area in Weifang and maximize the terminal capacity through improving the efficiency of railway, pipeline, highway and waterway. The main breakthroughs achieved in 2017 were as follows:

- (1) The Group enhanced its cooperation with local refineries and trading companies, provided them with customized service plans, and innovated production organization to upgrade the technology of loading for trains, to improve the capacity of delivery for pipeline and to develop and operate the platform of highway transport for oil. As a result, the transportation efficiency was improved significantly and the Group's import amount of crude oil grew fast; and
- (2) The Dongjiakou Port- Weifang- Central and Northern Shandong oil pipeline construction project Phase I and the auxiliary tank area project in Weifang has commenced operation, with an operational advantage gaining from integrating terminal, storage and transportation, which drives the growth of the Group's market share in the local refinery market of Shandong province.

For the year ended 31 December 2017, the revenue of liquid bulk handling and ancillary services was RMB552 million, representing an increase of 331.6% as compared to the same period in the prior year, which was mainly due to an increase in storage revenue from the newly established crude oil tank storage and an increase in the transport revenue from pipelines newly put into operation in Dongjiakou Port Area. The segment result was RMB597 million, representing an increase of 107.5% as compared to the same period in the prior year. Such increase was mainly due to an increase of storage volume and pipeline transport volume for the liquid bulk.

(4) Logistics and port value-added services



MANAGEMENT DISCUSSION AND ANALYSIS

Unit: RMB'000

Item	2017	2016	Changed amount	Changed percentage
Consolidated Group Companies				
Revenue	4,155,866	3,385,348	770,518	22.8%
Cost of sales	2,627,559	2,178,749	448,810	20.6%
Gross profit	1,528,307	1,206,599	321,708	26.7%
Profit of Consolidated Group Companies	1,416,822	1,083,538	333,284	30.8%
Joint ventures and an associate				
Revenue	1,490,594	829,619	660,975	79.7%
Cost of sales	1,158,067	589,393	568,674	96.5%
Share of post-tax profit of joint ventures and an associate	96,534	66,148	30,386	45.9%
Segment results	1,513,356	1,149,686	363,670	31.6%

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

The Group leveraged it as the hub and center for the whole process of the port logistics, made full use of the resources from upstream and downstream industry chain and developed a new mode of whole-process logistics. A developing mode of comprehensive whole-process logistics vendor has been preliminarily established. The main breakthroughs achieved in 2017 were as follows:

- (1) The strong alliance in CFS and storage business created synergic effect and substantially sharpened the competitiveness of the Group. The total handling volume of the containers represented a growth rate of 43% as compared to the same period in the prior year;
- (2) Agency service reinforced the whole-process marketing and brand operation. There was a total of 33 cooperative shipping companies and 48 container shipping lines in shipping agency business of the Consolidated Group Companies with an increase of 73% in the amount of ship agency business as compared to the same period in the prior year, and the volume of freight forwarding of the Consolidated Group Companies increased by 30% as compared to the same period in the prior year;
- (3) The transportation business established a container long-distance transportation platform, which shifted the pickup procedure of imported cargos from off-line to on-line, improving the logistics efficiency effectively; and
- (4) While maintaining the increment in traditional businesses, the tugging and tallying business actively sought cooperation through joint venture and partnership to explore new businesses, such as shipping, inspection and supervision of loading.

For the year ended 31 December 2017, the revenue of logistics and port value-added services was RMB4,156 million, representing an increase of 22.8% as compared to the same period in the prior year. Such increase was mainly due to a sustainable increase of business volume. The segment results accounted to RMB1,513 million, representing an increase of 31.6% as compared to the same period in the prior year. Such increase was mainly due to the increase in profit of CFS, agency, tugging and tallying businesses.

MANAGEMENT DISCUSSION AND ANALYSIS

(5) Port ancillary services

Unit: RMB'000

Item	2017	2016	Changed amount	Changed percentage
Consolidated Group Companies				
Revenue	2,138,275	2,119,962	18,313	0.9%
Cost of sales	1,584,745	1,619,547	-34,802	-2.1%
Gross profit	553,530	500,415	53,115	10.6%
Profit of Consolidated Group Companies				
	384,033	328,250	55,783	17.0%
Segment results	384,033	328,250	55,783	17.0%

For the year ended 31 December 2017, the revenue from port ancillary services amounted to RMB2,138 million, remaining basically stable as compared to the same period in the prior year. The segment results amounted to RMB384 million, representing an increase of 17.0% as compared to the same period in the prior year, which mainly was due to a higher gross margin as a result of relatively mature technologies in the port projects undertaken during the year and effective cost control.

(6) Financial services

Unit: RMB'000

Item	2017	2016	Changed amount	Changed percentage
Consolidated Group Companies				
Revenue	421,285	326,347	94,938	29.1%
Cost of sales	84,785	54,204	30,581	56.4%
Gross profit	336,500	272,143	64,357	23.6%
Profit of Consolidated Group Companies				
	365,438	268,995	96,443	35.9%
An associate				
Revenue	224,963	—	224,963	N/A
Cost of sales	89,354	—	89,354	N/A
Share of post-tax profit of an associate	616	—	616	N/A
Segment results	366,054	268,995	97,059	36.1%

Note: Amounts of revenue and cost of sales of an associate represent the amount of those in the financial information of Qingyin Financial Leasing, without taking into account of the shareholding percentages held by the Company in the associate.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group deepened its financial strategy, took the integrative development model of “Industry Plus Finance” as the main line and vigorously innovated its business model. More business licenses were obtained, and business categories were increased constantly.

Qingdao Finance not only met the financing demand of its members but also realized gains from its funds, sped up the settlement and sale of foreign exchange business promotion and obtained the qualifications to get access to interbank lending market and bond market, which further expanded its business scope.

For the year ended 31 December 2017, the segment result of financial services amounted to RMB366 million, representing an increase of 36.1% as compared to the same period in the prior year, which was mainly due to the increase in profit from interbank deposits driven by the increase in interest rate of interbank deposits and the enlarged deposit scale.

3. Financial Position Analysis

Unit: RMB'000

Item	As at	As at	Changed Amount	Changed Percentage
	31 December 2017	31 December 2016		
Cash at bank and on hand	11,705,176	8,100,294	3,604,882	44.5%
Accounts Receivables	1,873,365	1,307,611	565,754	43.3%
Long-term receivables	4,395,674	3,484,534	911,140	26.1%
Long-term equity investments	8,538,242	5,139,040	3,399,202	66.1%
Accounts Payables	1,517,606	1,125,837	391,769	34.8%

As at 31 December 2017, the Group’s cash at bank and on hand increased by RMB3,605 million or 44.5% as compared to the beginning of the year, mainly due to the increase in cash from operating activities of RMB1,924 million, the decrease in cash from investing activities of RMB1,742 million, the increase in cash from financing activities of RMB3,486 million.

As at 31 December 2017, the Group’s accounts receivables increased by RMB566 million or 43.3% as compared to the beginning of the year, which was mainly due to new receivables from related parties in the manufacturing of port machineries and new receivables in logistics and port value-added services business of RMB362 million and RMB117 million, respectively.

As at 31 December 2017, the Group’s long-term receivables increased by RMB911 million or 26.1% as compared to the beginning of the year, which was due to the increase in the loans offered by the Group to its joint ventures and other related parties.

As at 31 December 2017, the Group’s long-term equity investments increased by RMB3,399 million or 66.1% as compared to the beginning of the year, which was mainly due to an increase in the long-term equity investments of RMB3,199 million as a result of the acquisition of the 20% equity interests in QQCT.

As at 31 December 2017, the Group’s accounts payable increased by RMB392 million or 34.8% as compared to the beginning of the year, which was mainly due to the increase in subcontract fees of RMB265 million payable by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

4 Cash Flow Analysis

For the year ended 31 December 2017, the Group's net cash inflow amounted to RMB3,615 million, among which:

- (1) net cash inflow from operating activities amounted to RMB1,924 million, which was mainly derived from the operating profit of Consolidated Group Companies;
- (2) net cash outflow from investing activities amounted to RMB1,742 million, mainly comprising of cash inflow of RMB1,017 million through the receipt of dividends from joint ventures and associates and cash outflow of RMB2,623 million for purchasing and construction of long-term assets including fixed assets.
- (3) net cash inflow from financing activities amounted to RMB3,486 million, mainly comprising of cash inflow of proceeds of RMB2,600 million raised from the Subscription of Domestic Shares and proceeds of RMB912 million raised from the New H Shares Issue, cash inflow of RMB1,260 million in absorbing deposits by Qingdao Finance, cash outflow of RMB836 million for paying dividends to the shareholders of the Company and Consolidated Group Companies, cash outflow of RMB690 million for paying the debt principals and interests.

In order to facilitate the understanding of shareholders and investors, after eliminating the impact of Qingdao Finance and the Group's purchasing of the wealth management products and the recovery of fixed term deposits over three months which became due on the cash flow, the net cash inflow of the Group amounted to RMB2,052 million.

5. Liquidity and Financial Resources

As at 31 December 2017, the Group's cash at bank and on hand amounted to RMB11,705 million and wealth management products amounted to RMB750 million with the main currency of RMB. After eliminating the impact of Qingdao Finance, the self-owned cash at bank and on hand and wealth management products of the Group amounted to RMB6,379 million, among which, cash amounted to RMB6,079 million. After eliminating the impact of Qingdao Finance, the Group's total interest-bearing bank borrowings amounted to RMB3,770 million, among which, borrowings at fixed interest rates amounted to RMB3,637 million and borrowings at floating interest rates amounted to RMB133 million.

As at 31 December 2017, the gearing ratio of the Group was 18%. After eliminating the impact of Qingdao Finance, the amount of the Group's cash exceeded its interest-bearing debt.

6. Capital Structure

As at 31 December 2017, the total equity of the Group amounted to RMB25,063 million, representing an increase of RMB9,580 million as compared to the beginning of this year, among which, the increase of equity interest attributable to the shareholders of the Company was mainly due to the increase of RMB5,798 million from the Subscription of Domestic Shares by Shanghai China Shipping Terminal; the increase of RMB912 million from the New H Shares Issue; the increase of RMB3,043 million from the operating profit; the increase of RMB347 million from supplemental retirement benefits actuarial gains; and the decrease of RMB788 million from the declaration of final dividend of the year 2016 by the Company. The equity of minority shareholders increased by RMB261 million, mainly due to the increase in operating profits and comprehensive incomes of RMB198 million and the increase in investments by minority shareholders of RMB111 million.

As at 31 December 2017, the Company had 6,036,724,000 shares in issue, including 1,099,025,000 H shares. The total market capitalization and H share market capitalization of the Company was HKD31,632 million and HKD5,759 million, respectively (calculated based on the closing price of HK\$5.24 of the Company on the Hong Kong Stock Exchange on 29 December 2017).

MANAGEMENT DISCUSSION AND ANALYSIS

7. Interest Rate and Exchange Rate Risks

As at 31 December 2017, cash at bank and on hand, receivables, payables and external bank borrowings at floating rates amounted to RMB2,725 million, RMB3,196 million, RMB7,986 million and RMB133 million, respectively. The Group assessed the interest rate risk and anticipated that changes in interest rate would have no material impact on the Group.

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

The Group will continue to closely monitor risks in interest and exchange rate. Other than one foreign currency forward contract for buying US\$ with approximate HK\$444 million, which aims to reduce the impact of the volatility of the HK\$ exchange rate against US\$, the Group did not enter into any hedging arrangements with respect risks in interest rate and exchange rate risks for the year.

8. Risk in Relation to the Dependence on the Economic Development of the Hinterland

Our Group is principally engaged in the cargo handling as well as ancillary services including logistics and financial service. Our business operation closely relates to the economic development of the hinterland. Factors such as the economic growth of the hinterland, the development of the export-oriented economic, the industrial structure and the transport and logistics of the hinterland will have a direct or indirect impact on the Group's operation.

The main economic hinterland of the Group is the Bohai Rim Region, which is one of the developed economic areas of the PRC. Based on the consolidation of the traditional hinterland, the Group continues to strengthen the construction of the transportation system and inland network and provide its customers with an "one-stop" comprehensive logistics service utilizing the "door-to-door" method to expand its service area into the areas along the "One Belt and One Road" and the Yangtze river basin, avoiding the risk in relation to the dependence on the economic development of the hinterland to the largest extend.

9. Financial indicators

Financial indicators	2017	2016	Change
Return on total assets	7.51%	6.57%	Increased by 0.94 percentage point
Weighted average return on net assets	15.54%	16.25%	Decreased by 0.71 percentage point
Interest coverage ratio	19.30	18.35	Increased by 0.95 times
Current ratio	1.31	1.01	Increased by 0.30
Quick ratio	1.27	0.98	Increased by 0.29
Turnover ratio of accounts receivable	5.99	6.39	Decreased by 0.40 times
Turnover days of accounts receivable	61 days	57 days	Increased by 4 days

For the year ended 31 December 2017, the return on total assets of the Group was 7.51%, representing an increase of 0.94 percentage point over the same period in the prior year, and the weighted average return on net assets of the Group was 15.54%, representing a decrease of 0.71 percentage point as compared to the same period in the prior year, which was mainly due to the capital investment absorbed from the new shareholders gradually realizing the profit. The accounts receivables turnover ratio of the Group was 5.99 times, representing a decrease of 0.40 time over the same period in the prior year, and the accounts receivable turnover days of the Group was 61 days, representing an increase of 4 days over the same period in the prior year, which was mainly due to an increase in receivables from the manufacturing of port machineries at the end of 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

10. Summarized Financial Information of Joint Ventures

Set out below are the summarized financial information of joint ventures which are accounted under equity method. In the view of the directors of the Company, such financial information are material to the Group.

Unit: RMB'000

	QQCT		Qingdao Shihua	
	2017	2016	2017	2016
Revenue	3,396,345	3,227,270	1,543,369	1,021,996
Cost of sales	(1,142,901)	(1,056,042)	(774,723)	(422,187)
Profit before income tax	2,206,421	2,111,582	712,598	546,251
Income tax expenses	(514,255)	(526,949)	(169,467)	(136,062)
Net profit for the year	1,692,167	1,584,633	543,131	410,189
Attributable to non-controlling interests	21,204	7,157	—	—
Net profit attributable to the owners of joint ventures	1,670,963	1,577,476	543,131	410,189
Other distribution	(1,215)	(957)	—	—
Equity interest in joint ventures held by the Group	51%	31%	50%	50%
Share of profit by the Group before elimination	717,373	488,721	271,565	205,095
Unrealised profit	(10,426)	—	(2,117)	(2,156)
Share of post-tax profit by the Group accounted for using the equity method	706,947	488,721	269,448	202,939

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

11. The Influence of Qingdao Finance to the Consolidated Financial Statements of the Group

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

MANAGEMENT DISCUSSION AND ANALYSIS

Unit: RMB'000

Balance sheet	31 December 2017	31 December 2016
Cash at bank and on hand	5,626,204	4,623,578
Interests receivable	30,556	23,852
Other receivables	432,842	239,398
Other current assets	339,000	800,000
Current portion of non-current assets	318,840	264,586
Available-for-sale financial assets	111,358	—
Long-term receivables	1,907,429	1,568,400
Other payables	8,225,623	6,981,474
Interests payable	29,785	30,626
General reserve	226,360	134,122
		RMB'000
Income statement	2017	2016
Finance expenses — interest income	400,809	306,423
Finance expenses — interest expenses	(83,067)	(53,339)

3. SIGNIFICANT CAPITAL INVESTMENT

For the year ended 31 December 2017, the Group had significant capital investment of RMB2,068 million, mainly consisting of the investment in the project of the Dongjiakou Port-Weifang-Central and Northern Shandong Oil Pipeline, and the dry-bulk berth projects in Dongjiakou Port Area and investment in other projects.

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

For the year ended 31 December 2017, the Company acquired the 20% equity interests in QQCT from Shanghai China Shipping Terminal, a wholly-owned subsidiary of COSCO SHIPPING Ports Limited. Please refer to the announcements of the Company dated 20 January 2017 and 22 May 2017 for detailed information. Please refer to the relevant content of “Connected Transactions and Continuing Connected Transactions” of Director’s Report in this annual report for details of other significant acquisition and disposal of the Company for the year ended 31 December 2017.

5. EMPLOYEES

As at 31 December 2016, the Company engaged 5,575 employees while its subsidiaries and principal joint ventures had 5,560 employees. Employees’ remunerations of the Group include basic salaries, wages and performance-based bonuses. The growth of employees’ remunerations are determined by their working performance, economic environment, and supply and demand conditions of human resource market, under the “two matches” principle to match the employees’ income growth with the growth of the Company’s results and the raise of production rate. The Group’s remuneration policy is reviewed on a regular basis. Remaining committed to its “people-focused” approach and safeguarding the legitimate rights and interests of employees, the Group contributes social insurances as required by the relevant regulations of the PRC and also sets up enterprise annuity to provide extra welfare scheme to its employees.

MANAGEMENT DISCUSSION AND ANALYSIS

6. PLEDGE OF ASSETS

As at 31 December 2017, trade acceptance notes of the Group with a value of RMB13.00 million have been pledged as the security for new issuance of bank acceptance notes, meanwhile, bank acceptance notes with a value of RMB3.00 million have been pledged to bank, and the Group is in the progress of applying for issuance of acceptance notes.

7. CORPORATE SOCIAL RESPONSIBILITY

1. Environment Protection

The Group assumes social responsibility actively by implementing “blue sky, green land and clean water (藍天、綠地、碧水)” projects and pushing forward the construction of green low-carbon emission port.

The Group has proactively promoted the application of low-carbon emission technology. In order to improve the energy efficiency and resource utilization rate of equipment, the Group updated technologies to eliminate outdated production techniques and equipment and facilities. The Group accelerated the application of energy-saving technologies, and successively completed 34 key construction projects for the construction of the green and low-carbon port including the marine shore power station, light slings, large port machine potential energy feedback and LED green lighting renovation in 2017.

The Group has laid emphasis on the building of an environment-friendly port by requiring that all goods stacks must be covered, that all stacking yards must undergo spraying, and that tires of handling vehicles must be washed (貨垛全部苫蓋、堆場全部噴淋、搬倒市提車輛沖洗車輪) in the port areas to minimize dust in the air, sand on the land and floating debris in the water. The Group has made efforts to build a green ecological environment. In the year 2017, the Group achieved a new afforestation area of 29,000 square meters.

The Group continued to enhance health and epidemic prevention management, and organized people to exterminate pest and virus vectors among all port areas. The epidemic prevention area reached 1,063,600 square meters in 2017.

2. Employee Care

The Group attached great importance to the development of management team. In 2017, the Group engaged external experts to hold five training classes for the management team and communicated exchanged view on the Company's development strategy, including topics such as port industry situation, leadership skills, listing risks, financial strategy and financial management, aiming to improve the decision-making ability of its management team.

The Group proactively carried out trainings to all employees for constant enhancement of their ability by successively holding 29 specialized training courses (with 63 sessions in total) on modern logistics management, international operation management, information management, human resources management, treasury and finance management, safety and equipment management, integrated management and other topics. The Group also developed online classes for its employees, covering 8 topics of general knowledge: ability of implementation, effective team building, communication with and inspiration of staff, communication skill, effective self-management, self-inspiration, psychology of work and occupational morality, and 6 categories of port business related courses: containers transportation and management, freight forwarding, vessel leasing and law, English for tallying, English for freight forwarding and English for navigation.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group cared the employees' physical and mental health. It formed scientific, comprehensive and optimized physical examination standards and provided funds to its employees for physical examination once a year, and followed up therapies of illness.

The Group places significant emphasis on staff safety management. By organizing safety trainings for all employees and specific safety trainings for key positions, the Group enhanced its staff's safety knowledge. Moreover, the Group also upgraded and reformed its techniques prevention for core parts of its facilities (oil loading lines, car parks, cold storage for liquid ammonia and high-rise buildings). More efforts were put on on-site inspection to ensure the operation safety of new business. The Group was devoted to achieving the goals of safety management with a number of units being selected as the "Benchmarking Enterprises at the City Level" for safety management.

3. Community Care

The Group actively participated in public welfare activities including helping the elderly, the poor and the young. It has organized its employees to donate blood on a regular basis. The Group also organized its employees to care the elderly in community nursing home, to donate clothes to pupils in poverty-stricken areas, to pick up garbage in residential areas, to promote environmental protection concept, and to examine electric circuits and repair electric appliances for community residents on a regular basis, and to condole the elderly who live alone.

Please refer to the "2017 Sustainability Report" of the Company simultaneously published with this report for detailed information on our corporate social responsibility.

8. OUTLOOK FOR 2018

In 2018, in front of the new opportunities that the global economy is expected to continue maintaining its growth momentum and that China's economy is shifting from high-speed growth to high-quality development, the Company will stress the essentials, shore up weak growth areas and strengthen the weakness under the theme of "improving the quality and efficiency as well as developing with innovation". The Company will innovate the incremental efficiency, deepen the diversified development to maintain steady growth of cargo throughput and operation performance. As such, the Group will concentrate on the following five aspects:

Firstly, the Group will promote the improvement in both business volume and efficiency of terminal stevedoring business. By leveraging on the world-class terminal facilities, convenient and efficient integrated transportation system including railway, highway, waterway and pipelines, and the industry leading full range and all-rounded service, the Group will carry out high-level communication with major customers to promote the steady growth of terminal stevedoring business. With respect to the container business, the Group will focus on increasing the shipping lines and implementing the headquarter strategy for shipping companies in an in-depth manner to attract more foreign trade shipping lines, optimize the layout of domestic trade shipping lines and make the transit bigger and stronger network, so as to maintain the position as the Northeast Asia hub port. With respect to the dry bulk cargo business, the Group will deepen the cooperation with steel mills, mines and trading companies to jointly expand the marketing channels and promote the increase of mix ore business to achieve the increase in both business volume and efficiency of dry bulk cargo. With respect to the liquid bulk business, the Group aims at the construction of trade center port and logistics hub port, strengthening the interaction of Huangdao Oil Port Area, Dongjiakou Port Area, tank area in Weifang "cross-port area" terminal and oil tank resources and integrating the business operation to exploit the advantages of the Dongjiakou Port- Weifang- Central and Northern Shandong oil pipeline, so as to construct an inland oil port and promote the growth of liquid bulk business segment.

MANAGEMENT DISCUSSION AND ANALYSIS

Secondly, the Group will expand the scale merit of the new industry. The Group will vigorously develop the modern logistics business. Oriented by customer demand, it will improve the port service function chains and increase the proportion of the customers of comprehensive logistics services to the corporate customers. With respect to the freight forwarding business, the Group will proactively develop new customers, while in terms of the shipping agency business, the Group will strive to undertake the new shipping lines. For the CFS business, the Group will try to achieve new functions such as sorting containers according to their arriving terminal and picking container according to inland CFSs. With respect to the construction of inland port, the Group will optimize the layout of regional marketing centers improve service functions and resource allocation and continue to enhance radiation capacity. With respect to the sea-rail intermodal transport, the Group aim to achieve new growth in both intermodal transport routes and container volume of the sea-rail intermodal transport to promote the improvement in both business volume and efficiency of modern logistics industry. The Group will deeply implement the financial strategy. On the basis of strengthening treasury management of Qingdao Finance, it will deepen the integration of industry and finance, innovate diversified settlement products such as guarantee for the customs duties, build up domestic currency pool, foreign currency pool, cross-border capital pool and bill pool for capital operation, carry out new business such as RMB cross-border settlement, payment agency for overseas financing and foreign exchange in offshore transactions to promote the scale merit to a new higher-level. The Group will accelerate the construction of integrated trade service center and expand the functions of futures settlement base, so that new types cargos in respect of futures settlement such as crude oil, pulps and imported rubber can be brought in to develop a group of futures settlement base. The Group will make full use of bonded qualification of the crude oil tank to construct a crude oil trading and distribution center. The Group will also proactively promote the port-centered industry projects of Dongjiakou Port Area to create a new growth in port development.

Thirdly, the Group will expand the space for international development. It will also deeply implement internationalization strategy, co-ordinate the directions of land and sea, the international and domestic resources, deepen the cooperation with COSCO SHIPPING, Maersk Group and other large shipping companies in various fields. The Group will jointly establish Ocean Bridge International Port Operation and Management Co., Ltd. (海路國際港口運營管理有限公司) with COSCO SHIPPING Ports to accelerate the implementation of key projects such as container terminal of the second phase of Port Khalifa in Abu Dhabi, the United Arab Emirates, stabilize the operation and management of the 300,000-ton crude oil terminal in Myanmar Mude Island and the container terminal of the Vado Ligure Port in Italy. The Group will steadily promote the management and capital output, in order to step up to develop into an international terminal operator and enhance the influence and voice of Port of Qingdao in global terminal industry.

Fourthly, the Group will enhance the development momentum of ports. It will also will deeply implement internet strategy, speed up the construction of intelligent ports, operate and manage the global leading container automated terminal to promote industrial intelligence and intelligent industrialization. The Group will accelerate the production scheduling intelligence in the container, bulk cargo and highway distribution to constantly enhance the efficiency of logistics e-commerce service platform, attracting the gather of resources including logistics, business flow, information flow and capital flow to expand e-commerce ecosystem. The Group will accelerate the construction of the second and third phase of Dongjiakou Port- Weifang- Central and Northern Shandong oil pipeline construction project and the ancillary oil tank in Guangrao tank area which directly connect to the refining enterprises in Shandong, accelerate the construction of railway connected to the port in Dongjiakou Port and proactively promote the preliminary works for the major projects such as the second 300,000-ton crude oil terminal of Dongjiakou Port Area and crude oil business reserves to further release the potential of Dongjiakou Port Area and enhance the momentum of port development.

MANAGEMENT DISCUSSION AND ANALYSIS

Fifthly, the Group will continue to enhance the management efficiency. It will also adhere to the strategic orientation, goal orientation, short board orientation, and catch the key aspects of corporate governance to create a delicacy, lean, intensive and efficient management system. The Group will strengthen the compliance management and deeply implemented the modern enterprise management system and corporate governance structure in accordance with the regulatory requirements of A+ H shares listed companies. The Group will strengthen the performance management, refine performance indicators analysis such as cost and efficiency to explore the establishment of cost consumption quota management system for each business segment. The Group will strengthen the safety management, adhere to the safety concept of “integration of human and safety” to continue to develop intrinsic safety staff, create intrinsic safety environment, enhance intrinsic safety management and build intrinsic safety ports. The Group will strengthen the environmental protection management by thoroughly implementing the “four major projects” including technological innovation, energy replacement, equipment updates, process optimization, so as to create a green and low-carbon port. The Group will strengthen human resources management, implement training plans, continuously improve the quality of staff, develop a knowledgeable, skilled and artisanal team, and optimize the compensation and evaluation incentive mechanism so as to further stimulate the vitality and creativity of employees and enhance the human resources support for sustainable development.

9. PROPOSED FINAL DIVIDEND FOR THE YEAR

As the Company is actively pushing ahead the progress of initial public offering and listing of A shares, which is under review phase, the distribution of final dividend for the year 2017 may include holders of A shares upon the listing of A shares. Accordingly, the Board shall make announcement with respect to the detailed proposed dividend for the year ended 31 December 2017 as appropriate in due course (but no later than 18 May 2018), subject to the approval by the shareholders at the forthcoming 2017 AGM.

10. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

The Company has complied with all code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules for the year ended 31 December 2017.

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

The Company has adopted the Model Code as its own code of conduct for securities transactions by directors and supervisors of the Company. Specific enquiries have been made to all the directors and supervisors of the Company and each of the directors and supervisors of the Company has confirmed that he/she has complied with the Model Code for the year ended 31 December 2017.

12. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

No purchase, sale and redemption of any listed securities of the Company was made by the Company or any of its subsidiaries for the year ended 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

13. AUDIT COMMITTEE

The Audit Committee has reviewed, with management, the accounting principles and policies adopted by the Group and the financial statements for the year ended 31 December 2017.

14. AMENDMENTS TO CONSTITUTIONAL DOCUMENT

The amendments to the Articles of Association were approved at the 2017 first extraordinary general meeting of the Company held on 10 March 2017 and the revised version came into effect upon the completion of the Subscription of Domestic Shares. The amendments to the Articles of Association were then approved at the annual general meeting of the Company held on 28 June 2017 and the revised version will take effect upon the initial public offering and listing of A shares of the Company. The current Articles of Association have been published on the websites of the Company and the Hong Kong Stock Exchange.

15. MATERIAL LITIGATIONS

Other than the No. 794 case which the Company was involved in as disclosed in the announcements of the Company published on 28 July 2014, 15 August 2014, 5 September 2014 and 27 October 2016, the Group was not involved in any material litigation or arbitration for the year ended 31 December 2017.

The Company does not expect the aforesaid litigation and relevant judgments and orders to have a material adverse impact on the Group's business and operations.

16. CLOSURE OF REGISTER

In order to determine the eligibility of shareholders who are entitled to attend the 2017 AGM of the Company, the share register of the Company will be closed from Monday, 7 May 2018 to Wednesday, 6 June 2018 (both days inclusive), during which no share transfer will be registered. The shareholders whose names appear on the register of members of the Company on Monday, 7 May 2018 are entitled to attend and vote at the 2017 AGM. Holders of the Company's shares who wish to attend the 2017 AGM but have not registered the transfer documents are required to deposit the transfer documents together with the relevant share certificates at the H Share Registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) or at the Company's registered office in the PRC, at 7 Ganghua Road, City North District, Qingdao, Shandong Province, the PRC (for holders of domestic shares), no later than 4:30 p.m. on Friday, 4 May 2018 for registration.

17. SUBSEQUENT EVENTS

There is no material subsequent event undertaken by the Group after 31 December 2017.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DETAILS OF MEMBERS OF THE BOARD OF DIRECTORS OF THE COMPANY

1. Executive Directors



Mr. ZHENG Minghui (鄭明輝), aged 61, is a postgraduate of Nankai University (南開大學) and a senior economist. He has joined the QDP since April 2013, and has joined the Company since November 2013. He currently serves as the Chairman and an executive Director, the chairman of Strategy and Development Committee, a member of Nomination Committee of the Company, the chairman of QDP, a director of Qingdao Port International Development (Hong Kong) Co., Limited (青島港國際發展(香港)有限公司), a wholly-owned subsidiary of the Company, and the chairman of Qingdao Finance, Qingdao Port Financial Holdings Limited, Qingdao Port International Financial Leasing Co., Ltd., Qingdao Port Assets Management Co., Ltd., Qingdao Port Micro-finance Company Limited, and Qingdao Port (Shenzhen) Commercial Factoring Limited. He served as a senior economist, general manager and chairman of Qingdao Machinery Industry Corporation (青島市機械工業總公司), a deputy director of the Qingdao Municipal Development and Reform Commission (青島市發展和改革委員會), a director of Qingdao Municipal Commission of Transportation (青島市交通運輸委員會), a secretary of Jimo Municipal Party Committee (即墨市市委) and a principal of Party School of the Municipal Party Committee (市委黨校), a head of the Municipal Port and Shipping Administration Authority (青島市港航管理局), a president of QDP, a director of Qingdao Port Investment Development (Hong Kong) Co., Limited (青島港投資發展(香港)有限公司), and the chairman of Qingdao Passenger Liner Home Port Co., Ltd. (青島郵輪母港有限公司), a wholly-owned subsidiary of QDP. Mr. ZHENG has over 30 years of experience in leadership and management of state authorities and large-scale state-owned enterprises.



Mr. JIAO Guangjun (焦廣軍), aged 51, is a bachelor of Wuhan Water Transportation Engineering College (武漢水運工程學院) (now known as Wuhan University of Technology (武漢理工大學)) and a senior engineer. He joined the Qingdao Port Authority (青島港務局), which is now the QDP, in July 1988, and has joined the Company since November 2013. He currently serves as the president, an executive Director, a member of Strategy and Development Committee and the chief safety officer of the Company, the chairman of Qingdao Port Technology Co., Ltd. (青島港科技有限公司) as well as the chairman of Qingdao Port Tongze Trading Co., Ltd. (青島港通澤商貿有限公司). He served as a manager of Yougang Company (油港公司) of Qingdao Port Authority, a news center officer, a head of safety and technology department, an assistant to the president and a vice president of QDP and a vice president of the Company. Mr. JIAO has over 29 years of working experience in the port industry, and is experienced in managing large-scale port enterprises.



Ms. JIANG Chunfeng (姜春鳳), aged 42, is a master in management studies of Shandong Economics University (山東經濟學院) (now known as Shandong University of Finance and Economics (山東財經大學)) and a senior accountant. She joined the Qingdao Port Authority (青島港務局), which is now the QDP, in July 2002, and has joined the Company since November 2013. She currently serves as the executive Director, a member of Strategy and Development Committee, the vice president, the chief financial officer and the head of the finance department of the Company, as well as a director and a supervisor of several subsidiaries of the Company and QDP. She served as a deputy director of finance department and a deputy director of capital markets office of QDP, and the head of the Overseas Business Department of the Company. Ms. JIANG has over 16 years of working experience in the port industry, and has extensive experience in large-scale port enterprise management and finance.

Note: Information stated in this section is up to 19 March 2018.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

2. Non-Executive Directors



Mr. CHENG Xinnong (成新農), aged 50, was graduated from Jimei Navigation Institute (集美航海專科學校) (now known as Jimei University (集美大學)) and is a senior engineer. He joined the Qingdao Port Authority (青島港務局), which is now the QDP, in August 1988, and has joined the Company since November 2013. He currently serves as the Vice Chairman, a non-executive Director, a member of Strategy and Development Committee, a member of Remuneration Committee of the Company, a president, a vice chairman and a chief safety officer of QDP, and the director of Qingdao Finance. He served as a deputy factory director of the Port Machinery Factory (港機廠) of QDP and a manager of the Tugboat and Barge Branch (輪駁分公司) of QDP, a head of business department, a vice president and an executive vice president of QDP, a director and a general manager of Qingdao Passenger Liner Home Port Co., Ltd. (青島郵輪母港有限公司) as well as an executive director, the president and the chief safety officer of the Company. Mr. CHENG has over 29 years of working experience in the port industry, and is experienced in managing large-scale port enterprises.



Mr. Zhang Wei (張為), aged 44, is a master in Management of Fudan University and is an engineer. He has joined the Company since June 2017. He currently serves as a non-executive Director of the Company and a member of Strategy and Development Committee, an executive director, a vice chairman of the board, the managing director, the chairman of the executive committee, risk management committee, investment and strategic planning committee and a member of the nomination committee and the remuneration committee of COSCO SHIPPING Ports Limited, an executive director and a deputy general manager of COSCO SHIPPING Holdings Co., Ltd. (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange with stock code 1919 and 601919 respectively). Mr. ZHANG joined COSCO group in 1995. He was an assistant manager, a deputy manager and the manager of pricing department of marketing and sales division of COSCO SHIPPING Lines, an executive deputy general manager of America trade division of COSCO SHIPPING Lines, an executive vice president of COSCO SHIPPING Lines (North America) Inc., a general manager of strategy and development division of COSCO SHIPPING Lines, a general manager of the operating management division of COSCO SHIPPING Holdings, and a general manager of the operating management division and an executive deputy director of the integration management office of China COSCO Shipping Corporation Limited. He has extensive experience in port management, strategic planning, project development, investment management and project management.



Mr. MA Baoliang (馬寶亮), aged 60, was graduated from Shandong Administration Institute (山東行政學院) with a college degree. He joined the Qingdao Port Authority (青島港務局), which is now the QDP, in October 1993, and has joined the Company since November 2013. He currently serves as a non-executive Director, a member of Strategy and Development Committee, a member of Audit Committee, the head of labour union of the Company, the head of labour union of QDP and the chairman of Qingdao Port Culture & Media Co., Ltd. (青島港文化傳媒有限公司). He served as a deputy general manager of Hongyu Company (宏宇公司) of, the head of labour union of Communications Branch (通信分公司) of, a deputy director of publicity and education department of Qingdao Port Authority, as well as a deputy director and a director of the political affairs department of QDP. Mr. MA has over 24 years of working experience in the port industry, and is experienced in managing large-scale port enterprises.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

3. Independent Non-Executive Directors



Mr. WANG Yaping (王亞平), aged 54, is a bachelor in law of East China College of Political Science and Law (華東政法學院) (now known as East China University of Political Science and Law (華東政法大學)) and a second-grade lawyer. He has joined the Company since May 2014. He currently serves as an independent non-executive Director, the chairman of Nomination Committee, the chairman of Remuneration Committee, a member of Strategy and Development Committee of the Company, and an executive director and a senior partner of Shandong Qindao Law Office (山東琴島律師事務所), the president of Qingdao Lawyers Association (青島市律師協會), a supervisor of Tsingtao Brewery Company Limited (青島啤酒股份有限公司) (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, with stock code 00168 and 600600 respectively), and an independent director of Qingdao Tianneng Heavy Industries Co., Ltd. (a company listed on the Shenzhen Stock Exchange, with stock code 300569), an independent director of Qingdao Conson Financial Holdings Co., Ltd., an independent director of Qingdao Conson Entrepreneurship Micro-credit Co., Ltd., and an independent director of Qingdao BAHEAL Pharmaceutical Co., Ltd.



Mr. CHAU Kwok Keung (鄒國強), aged 41, was graduated from the Chinese University of Hong Kong with a bachelor's degree in business administration. He is a fellow member of the Association of Chartered Certified Accountants, a member of Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst of CFA Institute. He has joined the Company since May 2014. He currently serves as an independent non-executive Director and the chairman of Audit Committee of the Company, an executive director, the chief financial officer and a company secretary of Comtec Solar Systems Group Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 712), as well as an independent non-executive Director of The9 Limited, a NASDAQ-listed company (Stock Code: NCTY), and China Xinhua Education Group Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 2779). He served as a deputy group financial controller of China South City Holdings Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 1668), a qualified accountant, a chief financial officer, a company secretary and an authorized representative of China.com Inc. (now known as Sino Splendid Holdings Limited), a company listed on the Hong Kong Stock Exchange (Stock Code: 8006) and a member of the supervisory committee of RIB Software AG, a German software company listed on the Frankfurt Stock Exchange (Stock Code: RSTAG). Mr. CHAU is experienced in financial management and corporate management.



Mr. YANG Qiulin (楊秋林), aged 51, is a master of science in applied accounting and finance of Hong Kong Baptist University, a certified public accountant in China, an assets appraiser, the Excellent Certified Public Accountant in Shandong province and a fellow member of the Chinese Institute of Certified Public Accountants. He has joined the Company since September 2014. He currently serves as an independent non-executive Director, a member of Audit Committee, Nomination Committee, and Remuneration Committee of the Company and a deputy head of Shandong Branch of Da Hua Certified Public Accountants Co., Ltd. (大華會計師事務所) (special general partnership). He served as the deputy head of Shandong Dongfang Junhe Certified Public Accountants Co., Ltd. (山東東方君和會計師事務所), the financial general manager of Shandong Zhongyuan Investment Group Co., Ltd. (山東中苑投資集團), the deputy general manager of Shandong Reanda Dongxin Certified Public Accountants Co., Ltd. (山東利安達東信會計師事務所有限公司) and deputy general manager of Qingdao Branch of Reanda Certified Public Accountants Co., Ltd. (利安達會計師事務所) (special general partnership). Mr. YANG has extensive knowledge and practical experience in financial management and capital management.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DETAILS OF MEMBERS OF THE SUPERVISORY COMMITTEE OF THE COMPANY

1. Shareholder Representative Supervisors



Mr. FU Xinmin (付新民), aged 60, joined the Qingdao Port Authority (青島港務局), which is now the QDP, in November 1975, and has joined the Company since November 2013. He currently serves as the Chairman of the Supervisory Committee of the Company. He served as a captain of the criminal investigation brigade of the public security bureau, a director of general office and a head of labour union of Qingdao Port Authority, a head of the surveillance office of the Qingdao Port Authority, a head of the supervision department, the chief economist and a head of the human resources department of QDP, a supervisor of Qingdao Passenger Liner Home Port Co., Ltd. (青島郵輪母港有限公司), a secretary of the Disciplinary Committee of the Company, a secretary of the Disciplinary Committee of QDP and the chairman of the supervisory committee of Qingdao Shihua.



Mr. CHI Dianmou (遲殿謀), aged 60, is a postgraduate of Harbin Institute of Technology (哈爾濱工業大學) and a researcher of engineering technology application. He has joined the QDP since June 2012, and has joined the Company since November 2013. He currently serves as a Supervisor of the Company. He served as a manager of City Construction and Investment Center of Qingdao Municipal (青島市城市建設投資中心), a deputy general manager of Qingdao City Construction and Investment Group Limited Company (青島城市建設投資(集團)有限責任公司), a deputy director of the Qingdao Municipal Construction Commission (青島市建設委員會) and a vice chairman and a general manager of Qingdao Port Investment and Construction (Group) Co., Ltd. (青島港口投資建設(集團)有限責任公司), a director of Qingdao Passenger Liner Home Port Co., Ltd. (青島郵輪母港有限公司) and a vice president of QDP.

2. Employee Representative Supervisors



Ms. XUE Qingxia (薛清霞), aged 54, is an accountant and was certified by China Institute of Internal Audit (中國內部審計協會) to be qualified for internal audit. She joined the Qingdao Port Authority (青島港務局), which is now the QDP, in July 1985, and has joined the Company since November 2013. She currently serves as a Supervisor, a deputy secretary of the Party Disciplinary Committee, a head of the supervision department of the Company, the deputy secretary of the Party Disciplinary Committee of QDP, as well as supervising chairperson and supervisor of several subsidiaries and associates of the Company and QDP. She served as a deputy manager of the finance department of Minggang Company (明港公司), a deputy manager of the accounting and finance department and a deputy head of the supervision department of Xigang Company (西港公司), and a deputy director of the materials and equipment tender and procurement center (物資設備招標採購中心) of QDP.



Ms. LIU Yuping (劉玉萍), aged 52, is a senior political engineer. She joined the Qingdao Port Authority (青島港務局), which is now the QDP, in December 1983, and has joined the Company since November 2013. She currently serves as a Supervisor of the Company, an secretary of the Party Disciplinary Committee as well as the chairperson of the labour union of Qiangang Branch (前港分公司). She has as the chairperson of the labour union of Processing Plant (加工廠) of Qingdao Port Authority, a deputy manager of Qingdao Port Tongda Industrial Co., Ltd. (青島港通達實業有限公司) and a vice chairperson of the labour union of Qingdao Port Authority, a deputy chairperson of the labour union of the Company as well as the vice chairperson of the labour union of QDP.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

3. Independent Supervisors



Mr. LI Xuxiu (李旭修), aged 51, is a bachelor of Southwest China University of Political Science and Law (西南政法大學), a postgraduate of Chinese Academy of Social Sciences (中國社會科學院), the Excellent Lawyer in China and an arbitrator of the China International Economic and Trade Arbitration Commission. He has joined the Company since September 2014. He currently serves as an independent Supervisor of the Company, a deputy manager of Qingdao Hehe Coating Material Co., Ltd., (青島和合塗裝材料有限公司), a senior partner and a director of Shandong Deheng Law Firm (山東德衡律師事務所), a deputy director of the Qingdao Lawyers Association (青島市律師協會), a vice chairman of the litigation and arbitration committee of the Lawyers Association of Shandong Province (山東省律師協會) and a member of the civil cases professional committee of the All-China Lawyers Association (中華全國律師協會). He was a teacher at the Ocean University of China (中國海洋大學), and a lawyer, a partner, a senior partner and a director of Shandong Deheng Law Firm (山東德衡律師事務所律師).



Mr. LIU Dengqing (劉登清), aged 47, has a doctorate in management studies of Tsinghua University. He has joined the Company since September 2014. He currently serves as an independent Supervisor of the Company, the director, president and chief executive officer of China Enterprise Appraisals Company, Inc. (北京中企華資產評估有限責任公司), an independent director of China Spacesat Co. Ltd. (中國東方紅衛星股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600118), an independent director of Hengxin Shambala Culture Co., Ltd. (恒信東方文化股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300081), an independent director of Hebei Baoshuo Co., Ltd. (河北寶碩股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600155), an executive director of China Assets Appraisal Association (中國資產評估協會), a vice president of Beijing Assets Appraisal Association (北京資產評估協會), a project appraisal expert of financial institution state assets appraisal project of the Ministry of Finance (財政部) and a member of the Project Appraisal Expert Group of State-Owned Assets Supervision and Administration Commission of the State Council (SASAC). He used to serve as an independent director of Harbin Electric Company Limited (哈爾濱電氣股份有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 01133), a member of the 10th National Youth Federation, a special member of the 10th and 11th Issuance Examination Committee of China Securities Regulatory Commission (CSRC), a member of the 4th and 5th Merger and Reorganization Committee of CSRC. Mr. LIU has extensive experience in assets appraisal and is a certified real estate appraiser of China, an asset appraiser and a mining rights appraiser. He is one of the first Top 10 Youth Appraisers in China and the first batch of leading talents in asset appraisal industry.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DETAILS OF THE SENIOR MANAGEMENT OF THE COMPANY



Mr. JIAO Guangjun (焦廣軍), the president of the Company, is one of the senior management. For his biographical details, please refer to “Executive Directors” section.



Mr. SU Jianguang (蘇建光), aged 48, has a master of engineering in Ocean University of China (中國海洋大學) and a researcher of engineering technology application. He joined the Qingdao Port Authority (青島港務局), which is now the QDP, in July 1989, and has joined the Company since November 2013. He currently serves as the vice president of the Company, a manager of Port Construction Branch (港建分公司), a member of the Communist Party of Deputy Director of Qingdao International Cruise Port Authority (青島國際郵輪港管理局), a head of the headquarters of Qingdao Port Construction (青島建港指揮部), a vice chairman of Qingdao International Cruise Port Development & Construction Co., Ltd (青島國際郵輪港開發建設有限公司) and a director of Qingdao International Cruise Co., Ltd (青島國際郵輪有限公司). He used to serve as a deputy manager of Port Engineering Company of Qingdao Port Authority(青島港務局港務工程公司), a deputy general manager of Qingdao Passenger Liner Home Port Co., Ltd. (青島郵輪母港有限公司) and general manager of Qingdao Port Investment and Construction (Group) Co., Ltd. (青島港口投資建設(集團)有限責任公司). Mr. SU has over 28 years of working experience in the port industry, and has extensive experience in large-scale port enterprise management.



Ms. JIANG Chunfeng (姜春鳳), the vice president, chief financial officer and the head of the finance department of the Company, is one of the senior management. For her biographical details, please refer to “Executive Directors” section.



Mr. WANG Xinze (王新澤), aged 54, is an undergraduate of the Shandong Provincial Party School and an economist. He joined Qingdao Port Authority (now known as QDP) in August 1983 and joined the Company in November 2013. Currently he serves as the vice president and director of the human resources department, a director of the organization Department of the Party Committee of the Company, and a director of organization department of the Party Committee of the QDP. He previously served as deputy director of the labour department of the Qingdao Port Authority (now known as QDP), deputy director and director of the human resources department of the QDP Group, and director of the general management department of the Company. Mr. WANG has more than 34 years of experience in the port industry and has extensive experience in human resource management for large ports.

Note: On 19 March 2017, Mr. WANG Xinze was appointed as the vice president of the Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Mr. CHEN Fuxiang (陳福香), aged 51, has a bachelor in law of Renmin University of China (中國人民大學), a master in law of Dalian Maritime University (大連海事大學), a senior economist and a senior political engineer, and holds the qualification as a lawyer of the People's Republic of China. He joined the Qingdao Port Authority (青島港務局), which is now the QDP, in July 1988, and has joined the Company since November 2013. He currently serves as a joint company secretary, a board secretary, a director of the general office of the Board and a director of Party Committee Office of the Company. He served as deputy director of the general office and a director of the Research Office of the Qingdao Port Authority, a deputy director of the general office of QDP, a secretary of the Party Committee of the Dagang Branch, a secretary of the Party Committee and political commissar of Qingdao Port Public Security Bureau, and a director of the general office of QDP. Mr. CHEN has over 29 years of working experience in the port industry, and has extensive experience in large-scale port enterprise management.

DIRECTORS' REPORT

The Board is pleased to present the annual report and the audited financial statements of the Company for the year ended 31 December 2017.

PRINCIPAL BUSINESSES AND ACTIVITIES

The Group operates the following businesses through its branches, subsidiaries, joint ventures and associates: (i) container handling and ancillary services, (ii) metal ore, coal and other cargo handling and ancillary services, (iii) liquid bulk handling and ancillary services, (iv) logistics and port value-added services, (v) port ancillary services, and (vi) financial services.

More details regarding the subsidiaries, joint ventures and associates of the Company are set out in Note 8 to the financial statements. The performance of the Group's business segments for the year is set out in Note 9 to the financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided on Management Discussion and Analysis and the Chairman's Statement of this annual report. Description of possible risks and uncertainties that the Group may be facing is set out on page 36 of this annual report. There is no material subsequent event undertaken by the Group after 31 December 2017. An analysis of the Group's performance during the year using financial key performance indicators is provided on pages 22 to 42 of this annual report. Details of the capital structure of the Company is provided on page 35 of this annual report. Details of the significant capital investment of the Group is provided on page 38 of this annual report.

In addition, information of the Company's environmental policies and performance can be found in "VII. Corporate Social Responsibility" in the Management Discussion and Analysis of this annual report. Our Company's compliance with relevant laws and regulations which have a significant impact on the Group are provided in the section headed "compliance with laws and regulations" of this directors' report. An account of the Company's relationship with its employees, customers, and suppliers is disclosed in the section headed "relationship with stakeholders" of this directors' report.

RESULTS AND FINAL DIVIDEND

The results of the Group for the year are set out in the consolidated income statement of this annual report.

As the Company is actively pushing ahead the progress of initial public offering and listing of A shares, which is under review phase, the distribution of final dividend for the year 2017 may include holders of A shares upon the listing of A shares. Accordingly, the Board shall make announcement with respect to the detailed proposed dividend for the year ended 31 December 2017 as appropriate in due course (but no later than 18 May 2018), subject to the approval by the shareholders at the forthcoming 2017 AGM.

DIRECTORS' REPORT

SHARE CAPITAL

As at 31 December 2017, the Company had a total of 6,036,724,000 issued shares with a nominal value of RMB1.00 each, and the structure of its share capital is as follows:

Class	Number of shares	Percentage in the issued shares of the Company
Domestic shares	4,937,699,000	81.8%
H shares	1,099,025,000	18.2%
Total	6,036,724,000	100.0%

Changes in share capital of the Company during the year are set out in Note 1 to the financial statements.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the annual results and the financial statements of the Company for the year ended 31 December 2017.

RESERVES

Details of changes in reserves of the Group and the Company for the year are set out in the Consolidated Statement of Changes in Equity.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the amount of reserves available for distribution of the Company was approximately RMB5,183 million.

DONATIONS

During the year, the Company and its subsidiaries did not make any external donations (excluding personal donations by employees).

BANK BORROWINGS AND OTHER BORROWINGS

Details of bank borrowings and other borrowings of the Company and its subsidiaries as at 31 December 2017 are set out in Note 6 (17) and Note 6 (24) to the financial statements.

DIRECTORS' REPORT

NEW H SHARES ISSUE AND SUBSCRIPTION OF DOMESTIC SHARES

On 18 May 2017, the Company completed the issuance of 243,000,000 new H shares at the issue price of HK\$4.32 per H share (equivalent to approximately RMB3.81). Upon completion of the New H Shares Issue, the share capital of the Company increased to 5,021,204,000 shares.

On 22 May 2017, the Company completed the subscription of 1,015,520,000 domestic shares by Shanghai China Shipping Terminal at the subscription price of RMB5.71 per share. Upon completion of the Subscription of Domestic Shares, the share capital of the Company increased to 6,036,724,000 shares.

The Directors are of the view that the abovementioned New H Shares Issue and Subscription of Domestic Shares are in line with the Company's development strategy and in the interests of the Company and its Shareholders as a whole.

For details of the abovementioned New H Shares Issue and Subscription of Domestic Shares, please refer to the announcements of the Company dated 20 January 2017, 18 May 2017 and 22 May 2017.

USE OF NET PROCEEDS

The net proceeds from the Global Offering of the Company were approximately RMB2,198 million. Considering the actual business development and operation of the Group, the Company has changed the investment projects which the remaining net proceeds were originally proposed to fund. Please refer to the announcement of the Company dated 28 December 2016 for detailed information. As at 31 December 2017, RMB1,880 million had been utilized towards the investment projects and RMB270 million had been used to supplement our general working capital as disclosed in the Prospectus and the announcement of the Company dated 28 December 2016. The Company used the net proceeds in the way as disclosed in the Prospectus and the announcement dated 28 December 2016.

The net proceeds of the Company from the New H Shares Issue were approximately RMB912 million, which will be used in the way as disclosed in the announcement of the Company dated 20 January 2017. As at 31 December 2017, no proceeds had been utilized towards the investment projects.

The net proceeds of the Company from the Subscription of Domestic Shares by Shanghai China Shipping Terminal were approximately RMB2,600 million. As at 31 December 2017, RMB1,382 million had been utilized towards the investment projects in the way as disclosed in the announcement of the Company dated 20 January 2017.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's major customers and suppliers accounted for the following percentages in the Group's revenue from sales of goods or rendering of services and purchases:

Revenue from the largest customer as a percentage of the Group's revenue from sales of goods or rendering of services	Less than 10%
Revenue from the top five customers as a percentage of the Group's revenue from sales of goods or rendering of services	Less than 25%
Purchase amount from the largest supplier as a percentage of the Group's purchases amount	Less than 10%
Purchase amount from the top five suppliers as a percentage of the Group's purchases amount	Less than 20%

DIRECTORS' REPORT

None of the Directors, supervisors, their respective associates or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in the above top five customers or suppliers.

SIGNIFICANT INVESTMENT

Details of the Group's significant investments and their performance during the year are set out in Note 6 (9), Note 8(2) to the financial statements.

FIXED ASSETS AND PROJECTS IN CONSTRUCTION

Details of changes in property, plant and equipment of the Group are set out in Note 6 (11) and Note 6 (12) to the financial statements.

INVESTMENT PROPERTIES

Details of investment properties of the Group for the year are set out in Note 6 (10) to the financial statements.

DIRECTORS, SUPERVISORS AND THEIR CHANGES

As disclosed in the announcement of the Company dated 28 June 2017, Mr. ZHANG Qingcai, the former non-executive Director of the Company, resigned as a non-executive Director and a member of the Strategy and Development Committee and the Audit Committee of the Board due to other work commitments. Mr. ZHANG Wei was appointed as the non-executive Director upon the approval at the annual general meeting of 2016 of the Company. Upon the election at the eighth meeting of the second session of the Board of the Company, Mr. ZHENG Minghui, the Chairman, redesignated as a member of the Nomination Committee of the Board, while Mr. WANG Yaping was appointed as the Chairman of such committee, Mr. ZHANG Wei was appointed as a member of the Strategy and Development Committee of the Board, and Mr. MA Baoliang was appointed as a member of the Audit Committee of the Board. Save for the above, there was no other change in the Directors and supervisors during the reporting period.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Board currently comprises nine Directors, including three executive Directors, namely Mr. ZHENG Minghui, Mr. JIAO Guangjun and Ms. JIANG Chunfeng; three non-executive Directors, namely Mr. CHENG Xinnong, Mr. ZHANG Wei and Mr. MA Baoliang; and three independent non-executive Directors, namely Mr. WANG Yaping, Mr. CHAU Kwok Keung and Mr. YANG Qiulin.

Note: Mr. ZHANG Qingcai, the former non-executive Director of the Company resigned on 28 June 2017 due to other work commitments and Mr. ZHANG Wei was appointed as the non-executive Director of the Company on the same day.

The Supervisory Committee currently comprises six supervisors, including two shareholder representative supervisors, namely Mr. FU Xinmin and Mr. CHI Dianmou; two employee representative supervisors, namely Ms. XUE Qingxia and Ms. LIU Yuping; and two independent supervisors, namely Mr. LI Xuxiu and Mr. LIU Dengqing.

DIRECTORS' REPORT

There are five senior management in total, including the President Mr. JIAO Guangjun, the vice presidents Mr. SU Jianguang, Ms. JIANG Chunfeng (also the chief financial officer) and Mr. WANG Xinze, and the board secretary Mr. CHEN Fuxiang.

Information about the details of the Directors, Supervisors and senior management of the Company is set out in the section headed "Directors, Supervisors and Senior Management".

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with all Directors and supervisors for a term of three years up to the conclusion of 2018 annual general meeting or which shall be terminated pursuant to relevant terms of respective contracts.

None of the Directors or supervisors has entered into any service contract with the Company or any of its subsidiaries which was not determinable by the Company within one year without payment of compensation (other than statutory compensation).

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

Save for service contracts, there were no other transactions, arrangements or contracts of significance in relation to the Group's business, to which the Company, its holding company, any of its subsidiaries or fellow subsidiaries was a party and in which none of the Directors and supervisors of the Company or its connected entities had a material interest, whether directly or indirectly, as at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2017.

INTERESTS OF DIRECTORS IN BUSINESSES COMPETING WITH THE COMPANY

The Company has received confirmation letters from the Directors, confirming that other than business of the Group, none of the Directors holds any interest in business which directly or indirectly competes or is likely to compete with the business of the Group.

REMUNERATION OF DIRECTORS AND SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Remuneration of Directors and supervisors of the Company is determined based on their roles and duties and with reference to the market conditions, the Company's remuneration policy and the prevailing market conditions, subject to the approval of the shareholders general meeting. Details of remuneration of Directors, Supervisors and the five highest paid individuals of the Company during the year are set out in Note 10 (8) and Note 10 (9) to the financial statements.

DIRECTORS' REPORT

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

So far as the Directors are aware, as at 31 December 2017, none of the Directors, supervisors or chief executives and their respective associates had any interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which will be required, pursuant to Section 352 of the SFO, to be recorded in the register kept by the Company, or (ii) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

MATERIAL CONTRACT

Save as disclosed in this annual report, at no time during the year had the Company or any of its subsidiaries entered into any material contract with the controlling Shareholder (as defined in the Listing Rules) or any of its subsidiaries, nor had any material contract been entered into for the services provided by the controlling Shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 December 2017, the following person (other than the Directors, Supervisors and chief executives) had interest or short positions in the shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which will be required, pursuant to Section 336 of the SFO, to be recorded in the register kept by the Company:

Name	Class of Shares	Capacity/ Nature of interest	Number of shares held ⁽¹⁾	Approximate percentage of shareholding in the registered capital of the Company	Approximate percentage of shareholding in the total number of issued domestic shares of the Company	Approximate percentage of shareholding in the total number of issued H shares of the Company
QDP	Domestic shares	Beneficial owner ⁽²⁾	3,522,179,000 (L)	58.35%	71.33%	—
COSCO SHIPPING Ports Limited	Domestic shares	Interest in a controlled corporation ⁽³⁾	1,111,520,000 (L)	18.41%	22.51%	—
China COSCO (Hong Kong) Limited	Domestic shares	In-terest in a controlled corporation ⁽³⁾	1,111,520,000 (L)	18.41%	22.51%	—
COSCO SHIPPING Holdings Co., Ltd.	Domestic shares	Interest in a controlled corporation ⁽³⁾	1,111,520,000 (L)	18.41%	22.51%	—
China Ocean Shipping (Group) Company	Domestic shares	Interest in a controlled corporation ⁽⁴⁾	1,207,520,000 (L)	20.00%	24.46%	—
China COSCO Shipping Corporation Limited	Domestic shares	Interest in a controlled corporation ⁽⁴⁾	1,207,520,000 (L)	20.00%	24.46%	—
Value Partners Group Limited	H shares	Interest in a controlled corporation ⁽⁵⁾	99,464,000 (L)	1.65%	—	9.05%
Value Partners High-Dividend Stocks Fund	H shares	Beneficial owner	87,929,000 (L)	1.46%	—	8.00%
中國人壽保險(集團)公司	H shares	Beneficial owner	180,000,000 (L)	2.98%	—	16.38%
Invesco Asset Management Limited	H shares	Investment Manager	87,935,000 (L)	1.46%	—	8.00%
FMR LLC	H shares	Interest in a controlled corporation	56,707,583 (L)	0.94%	—	5.16%

DIRECTORS' REPORT

Notes:

- (1) The letter "L" denotes long position in such securities.
- (2) QDP is wholly owned by the State-owned Assets Supervision and Administration Commission of Qingdao Municipality. The Company was informed that as at 31 December 2017, QDP held 6,037,000 H shares of the Company, representing approximately 0.55% of the total number of issued H shares of the Company. According to the SFO, the shareholders of the Company only need to submit the disclosure of interests form when certain conditions are reached. As at the date of holding the H shares of the Company by QDP and as at the date of this report, the Company had sufficient public float and the issued shares of the Company held by the public is no less than 16.62%, and is therefore in compliance with the Listing Rules.
- (3) 96,000,000 domestic shares and 1,015,520,000 domestic shares of the Company are directly held by China Shipping Terminal Development Co., Ltd. and Shanghai China Shipping Terminal Development Co., Ltd., respectively. Shanghai China Shipping Terminal Development Co., Ltd. is wholly owned by China Shipping Terminal Development Co., Ltd.. China Shipping Terminal Development Co., Ltd. is wholly owned by China Shipping Ports Development Co., Limited, which is wholly owned by COSCO SHIPPING Ports Limited. COSCO SHIPPING Ports Limited is 46.72% owned by China COSCO (Hong Kong) Limited, which is wholly owned by COSCO SHIPPING Holdings Co., Ltd.. COSCO SHIPPING Holdings Co., Ltd. is 45.47% owned by China Ocean Shipping (Group) Company, which is wholly owned by China COSCO Shipping Corporation Limited. As such, each of COSCO SHIPPING Ports Limited, China COSCO (Hong Kong) Limited, and COSCO SHIPPING Holdings Co., Ltd. is deemed to be interested in 1,111,520,000 domestic shares of the Company.
- (4) In addition to the 96,000,000 domestic shares and 1,015,520,000 domestic shares of the Company directly held by China Shipping Terminal Development Co., Ltd. and Shanghai China Shipping Terminal Development Co., Ltd. respectively, there are 96,000,000 domestic shares of the Company directly held by Qingdao Ocean Shipping Co., Ltd., which is wholly owned by China COSCO Bulk Shipping (Group) Co., Ltd.. China COSCO Bulk Shipping (Group) Co., Ltd. is 43.5% owned by China Ocean Shipping (Group) Company and 56.5% owned by COSCO SHIPPING Bulk Co., Ltd.. Both China Ocean Shipping (Group) Company and COSCO SHIPPING Bulk Co., Ltd. are wholly owned by China COSCO Shipping Corporation Limited. As such, each of China Ocean Shipping (Group) Company and China COSCO Shipping Corporation Limited is deemed to be interested in 1,207,520,000 domestic shares of the Company.
- (5) Such shares of the Company are directly held by Value Partners Limited, which is wholly owned by Value Partners Hong Kong Limited. Value Partners Hong Kong Limited is wholly owned by Value Partners Group Limited.

Save as disclosed above, as at 31 December 2017, none of the persons had interest or short positions in the shares and underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which will be required, pursuant to Section 336 of the SFO, to be recorded in the register kept by the Company.

DEBENTURES IN ISSUE

In order to meet its operation demands, optimize and adjust its debt structure and lower its financing costs, the Company issued the 2016 first tranche of domestic corporate bonds on 16 March 2016 and the 2016 second tranche of domestic corporate bonds on 6 June 2016, details of which are set out in Note 6(25) of this annual report.

DIRECTORS' REPORT

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any Directors or supervisors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors and supervisors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate for the year ended 31 December 2017.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, the Company did not enter into any equity-linked agreement for the year ended 31 December 2017.

PERMITTED INDEMNITY PROVISION

The Company has maintained appropriate liability insurance for its directors, supervisors and senior management. The permitted indemnity provisions are set out in such liability insurance.

PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDER

The controlling Shareholder did not pledge any of its shares in the Company to secure the Company's debts or to secure guarantees or other support of the Company's obligations for the year ended 31 December 2017.

SHARE OPTION SCHEME

As of 31 December 2017, the Company did not implement any share option scheme.

SUFFICIENCY OF PUBLIC FLOAT

The Hong Kong Stock Exchange has granted the Company a waiver from compliance with the minimum public float requirement under Rule 8.08(1) (a), and the minimum percentage of the Company's H shares from time to time held by the public was reduced to 16.62%. Based on publicly available information and so far as the Directors are aware, as at the date of this report, the Company had sufficient public float and the issued shares of the Company held by the public is no less than 16.62%, and is therefore in compliance with the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year, none of the Company or any of its subsidiaries purchased, sold or redeemed any of the listing securities of the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association and the laws of the PRC which would otherwise require the offer of new shares of the Company to existing Shareholders on a pro-rata basis.

DIRECTORS' REPORT

EMPLOYEES, REMUNERATION AND PENSION SCHEME

Details of employees, remuneration policy and pension scheme of the Group are set out in Notes 6 (20) and Notes 6 (28) to the financial statements.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no material contingent liabilities.

NON-COMPETITION AGREEMENT AND UNDERTAKING

The Company has received a confirmation letter issued by QDP which confirms that it has complied with the Non-Competition Agreement and Undertaking entered into with the Group during the reporting period.

CONFIRMATION OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to the implementation of sound corporate governance to safeguard shareholders' interests and enhance the value of the Company.

The Company has adopted and complied with all applicable provisions as set out in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules for the year ending 31 December, 2017. For details of compliance with the Corporate Governance Code, please refer to the "Corporate Governance Report".

AUDITORS

This financial statements have been audited by PricewaterhouseCoopers Zhong Tian LLP who will retire at the conclusion of the forthcoming annual general meeting. The Company will propose a resolution to re-appoint PricewaterhouseCoopers Zhong Tian LLP as the Company's auditor at the forthcoming annual general meeting.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Summary of the Company's connected persons

Connected Person	Connected Relationship
COSCO SHIPPING Group	A substantial shareholder of the Company holding approximately 20% of the total issued share capital of the Company
QDP	The controlling shareholder of the Company currently holding approximately 58% of the Company's total issued share capital
QDP Financial Holdings	A wholly-owned subsidiary of QDP, the controlling shareholder of the Company
QDP Investment	A wholly-owned subsidiary of QDP, the controlling shareholder of the Company
Qingdao Finance	A connected subsidiary of the Company which is held as to 70% equity interests by the Company and the remaining 30% equity interests by QDP
Qingdao Port Financial Leasing	A wholly-owned subsidiary of QDP Financial Holdings, which is a wholly-owned subsidiary of QDP, after the completion of Qingdao Port Financial Leasing Equity Transfer
Qingdao OST	A connected subsidiary of the Company which is held as to 84% equity interests by the Company and the remaining 16% equity interests by China OST, a subsidiary of COSCO SHIPPING Group

DIRECTORS' REPORT

CONNECTED TRANSACTIONS

The Group has conducted certain non-exempt connected transactions during the year. Unless otherwise defined, capitalized terms used herein shall have the same meaning ascribed to them in the relevant announcements.

(A) The North Third Jetty Asset Transfer Agreement II

On 26 January 2017, Datang Port (as the purchaser), a non wholly-owned subsidiary of the Company, and QDP Investment (as the vendor), a wholly-owned subsidiary of QDP, entered into the North Third Jetty Asset Transfer Agreement II, pursuant to which, Datang Port agreed to purchase, and QDP Investment agreed to sell the North Third Jetty Asset II at a consideration of RMB36,023,700. The transaction in respect of the transfer of the North Third Jetty Asset II contemplated under the North Third Jetty Asset Transfer Agreement II constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

The North Third Jetty Asset Transfer Agreement II and the transaction contemplated thereunder were considered and approved by the Board. Details of the connected transaction are set out in the announcement of the Company dated 26 January 2017.

(B) Agreements in Relation to Purchase of Relevant Assets in Dongjiakou Port Area, Sharing of Construction Cost and Payment of Facility Usage Fee

On 14 June 2017, the Company (as the purchaser) and QDP Investment (as the vendor), a wholly-owned subsidiary of QDP, entered into the North First Jetty Asset Transfer Agreement I and North First Jetty Asset Transfer Agreement II, pursuant to which, the Company agreed to purchase, and QDP Investment agreed to sell the North First Jetty Asset I and North First Jetty Asset II at a consideration of RMB37,464,225 and RMB90,701,100. The transactions in respect of the purchase of the North First Jetty Asset I under the North First Jetty Asset Transfer Agreement I and the North First Jetty Asset II under the North First Jetty Asset Transfer Agreement II constituted connected transactions of the Company under Chapter 14A of the Listing Rules.

On 14 June 2017, Mercuria Oil Terminal (as the purchaser), a non wholly-owned subsidiary of the Company, and QDP Investment (as the vendor), a wholly-owned subsidiary of QDP (the controlling shareholder of the Company), entered into the Fire Station Relevant Asset Transfer Agreement, pursuant to which, Mercuria Oil Terminal agreed to purchase, and QDP Investment agreed to sell the relevant asset of special fire station project in Dongjiakou Port Area at a consideration of RMB62,692,500. The transaction in respect of the purchase of the relevant asset of special fire station project in Dongjiakou Port Area contemplated under the Fire Station Relevant Asset Transfer Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

On 14 June 2017, Mercuria Oil Terminal, a non wholly-owned subsidiary of the Company, and QDP, the controlling shareholder of the Company, entered into the Construction Cost Sharing Agreement I and Construction Cost Sharing Agreement II, pursuant to which, Mercuria Oil Terminal agreed to share 17.70% of the construction cost of the big triangle dock basin project in Dongjiakou Port Area and 9.27% of the construction cost of the ore terminal dredging project in Dongjiakou Port Area at the amount of RMB148,838,538.90 and RMB31,321,791.18 respectively. The transaction in respect of the sharing of the construction cost of the big triangle dock basin project in Dongjiakou Port Area contemplated under the Construction Cost Sharing Agreement I and the construction cost of the ore terminal dredging project in Dongjiakou Port Area contemplated under the Construction Cost Sharing Agreement II constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

DIRECTORS' REPORT

On 14 June 2017, Mercuria Logistics, a non wholly-owned subsidiary of the Company, and QDP, the controlling shareholder of the Company, entered into the Construction Cost Sharing Agreement III, pursuant to which, Mercuria Logistics agreed to share 9.22% of the construction cost of the ore terminal dredging project in Dongjiakou Port Area at an amount of RMB31,152,849.48. The transaction in respect of the sharing of the construction cost of the ore terminal dredging project in Dongjiakou Port Area contemplated under the Construction Cost Sharing Agreement III constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

On 14 June 2017, Mercuria Oil Terminal, a non wholly-owned subsidiary of the Company, and QDP, the controlling shareholder of the Company, entered into the Facility Use Agreement, pursuant to which, Mercuria Oil Terminal has agreed to pay the facility usage fee of RMB105,138,116.56 for the facilities of North First Jetty western embankment and public corridor project in Dongjiakou Port Area, representing 19.94% of the construction cost of the North First Jetty western embankment and public corridor project in Dongjiakou Port Area. The transaction in respect of the payment of the facility usage fee for the facilities of North First Jetty western embankment and public corridor project in Dongjiakou Port Area constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

The aforesaid agreements and the transactions contemplated thereunder were considered and approved by the Board. Details of the aforesaid connected transactions are set out in the announcement dated 14 June 2017 of the Company.

(C) Qingdao Port Assets Management Equity Transfer Agreement

On 18 July 2017, QDP Financial Holdings (as the purchaser), a wholly-owned subsidiary of QDP (the controlling shareholder of the Company), and the Company (as the vendor) entered into the Qingdao Port Assets Management Equity Transfer Agreement, pursuant to which, QDP Financial Holdings agreed to purchase and the Company agreed to sell 100% equity interests in Qingdao Port Assets Management at a consideration of RMB177,088,323.85. The transaction in respect of 100% equity interests in Qingdao Port Assets Management contemplated under the Qingdao Port Assets Management Equity Transfer Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Qingdao Port Assets Management Equity Transfer Agreement and the transaction contemplated thereunder were considered and approved by the Board. Details of the connected transaction are set out in the announcement dated 18 July 2017 of the Company.

(D) Qingdao Port Financial Leasing Equity Transfer Agreement

On 19 September 2017, QDP Financial Holdings (as the purchaser), a wholly-owned subsidiary of QDP (the controlling shareholder of the Company), and the Company (as the vendor) entered into the Qingdao Port Financial Leasing Equity Transfer Agreement I, pursuant to which, QDP Financial Holdings agreed to purchase and the Company agreed to sell the 75% equity interest in Qingdao Port Financial Leasing at a consideration of RMB247,882,347.52. The transaction in respect of the disposal of 75% equity interest in Qingdao Port Financial Leasing contemplated under the Qingdao Port Financial Leasing Equity Transfer Agreement I constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

DIRECTORS' REPORT

On 19 September 2017, QDP Assets Management HK (as the purchaser), a wholly-owned subsidiary of QDP (the controlling shareholder of the Company), and Qingdao Port International Development HK (as the vendor), a wholly-owned subsidiary of the Company, entered into the Qingdao Port Financial Leasing Equity Transfer Agreement II, pursuant to which, QDP Assets Management HK agreed to purchase and Qingdao Port International Development HK agreed to sell the 25% equity interest in Qingdao Port Financial Leasing at a consideration of RMB29,732,556.19. The sale in respect of 25% equity interest in Qingdao Port Financial Leasing contemplated under the Qingdao Port Financial Leasing Equity Transfer Agreement II constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

The aforesaid equity transfer agreements and the transactions contemplated thereunder were considered and approved by the Board. Details of the connected transactions are set out in the announcement dated 19 September 2017 of the Company.

CONTINUING CONNECTED TRANSACTIONS

(A) CONTINUING CONNECTED TRANSACTIONS WITH QDP

i. Asset Lease Framework Agreement

On 18 March 2016, the Company entered into the Asset Lease Framework Agreement with QDP Group, pursuant to which QDP Group* shall lease specific assets to the Group including land use rights, sea area use rights, terminals, buildings and equipment. The term of the agreement is from 1 January 2017 to 31 December 2019. Please refer to the announcement made by the Company dated 18 March 2016 for details of the said agreement.

ii. General Goods and Services Framework Agreement I

On 18 March 2016, the Company entered into the General Goods and Services Framework Agreement I with QDP Group*, pursuant to which the Group shall provide QDP Group* with a range of goods and services, primarily including: (i) water, electricity, vapour and petroleum supplies and other products; (ii) communication services; security services; property management services, engineering construction services and other services. The term of the agreement is from 1 January 2017 to 31 December 2019. Please refer to the announcement made by the Company dated 18 March 2016 for details of the said agreement.

iii. General Goods and Services Framework Agreement II

On 18 March 2016, the Company entered into the General Goods and Services Framework Agreement II with QDP Group*, pursuant to which the QDP Group* shall provide a range of goods and services to the Group, which primarily include (i) purchasing auxiliary consumables; and (ii) food and beverages, medical services and training services. The term of the agreement is from 1 January 2017 to 31 December 2019. Please refer to the announcement made by the Company dated 18 March 2016 for details of the said agreement.

* "QDP Group" refers to QDP and its subsidiaries, and for the purpose of the Asset Lease Framework Agreement, General Goods and Services Framework Agreement I and General Goods and Services Framework Agreement II, also includes joint venture with more than 30% equity interest held by QDP and commonly held entities of QDP.

iv. Financial Lease Framework Agreement

Qingdao Port Financial Leasing, a former subsidiary of the Company, and QDP entered into the Financial Lease Framework Agreement on 21 August 2015. Qingdao Financial Leasing has agreed to provide financial services to QDP and/or its subsidiaries. The Financial Lease Framework Agreement is valid for a term commencing from its signing date and ending on 31 December 2022. Please refer to the announcement made by the Company dated 21 August 2015 titled Financial Lease Framework Agreement for details of the said agreement.

On 19 September 2017, the Company entered into the Qingdao Port Financial Leasing Equity Transfer Agreement I with QDP Financial Holdings. Qingdao Port International Development HK entered into the Qingdao Port Financial Leasing Equity Transfer Agreement II with QDP Assets Management HK. Since the completion of the Qingdao Port Financial Leasing Equity Transfer, Qingdao Port Financial Leasing became a wholly-owned subsidiary of QDP Group. Please refer to the announcement of the Company dated 19 September 2017 for details of the said agreements.

(B) CONTINUING CONNECTED TRANSACTIONS WITH QINGDAO FINANCE

On 18 March 2016, Qingdao Finance entered into the Financial Services Framework Agreement with QDP and the Company, respectively, in relation to provision of deposit services, credit services and intermediary services from Qingdao Finance to QDP and/or its associates and the Group. The agreement is valid for a term commencing from 1 January 2017 and ending on 31 December 2019. For details of the agreements, please refer to the announcement dated 18 March 2016, circular of the 2015 annual general meeting of the Company dated 11 April 2016 and the poll results of the 2015 annual general meeting dated 6 June 2016.

(C) CONTINUING CONNECTED TRANSACTIONS WITH QINGDAO FINANCIAL LEASING

On 19 September 2017, the Company entered into the Finance Lease Framework Agreement with Qingdao Port Financial Leasing, a wholly-owned subsidiary of QDP Group, pursuant to which Qingdao Port Financial Leasing shall provide finance lease services to the Company and/or its subsidiaries including direct lease service and leaseback service. The agreement took effect upon the completion of the Qingdao Port Financial Leasing Equity Transfer with a term of 12 months. Please refer to the announcement made by the Company dated 19 September 2017 for details of the said agreement.

(D) CONTINUING CONNECTED TRANSACTIONS WITH QDP FINANCIAL HOLDINGS

On 19 September 2017, the Company entered into the Commercial Factoring Framework Agreement with QDP Financial Holdings, a wholly-owned subsidiary of QDP, pursuant to which QDP Financial Holdings shall provide commercial factoring services to the Company and/or its subsidiaries including accounts receivable financing services and the other commercial factoring services. The agreement is valid for a term commencing from its signing date and ending on 18 September 2018. Please refer to the announcement made by the Company dated 19 September 2017 for details of the said agreement.

DIRECTORS' REPORT

(E) Continuing connected transactions with COSCO SHIPPING Group

i. Asset Lease Framework Agreement

On 5 June 2017, the Company entered into the Asset Lease Framework Agreement with COSCO SHIPPING Group in relation to the Group's lease of certain assets which include, among other things, land use rights, to COSCO SHIPPING Group and/or its subsidiaries and associates. The agreement is valid for a term commencing from 22 May 2017 and ending on 31 December 2019. Please refer to the announcement made by the Company dated 5 June 2017 for details of the said agreement.

ii. General Goods and Services Framework Agreement I

On 5 June 2017, the Company entered into the General Goods and Services Framework Agreement I with COSCO SHIPPING Group, pursuant to which the Group shall provide COSCO SHIPPING Group and/or its subsidiaries and associates with a range of goods and services, primarily including: (i) provision of goods such as power, fuel oil, heat and other port ancillary services; and (ii) provision of stevedoring services, logistics services (including tugboating services) and other services. The agreement is valid for a term commencing from 22 May 2017 and ending on 31 December 2019. For details of the agreement, please refer to the announcement dated 5 June 2017, supplemental circular of the 2016 annual general meeting of the Company dated 12 June 2017 and the poll results of the 2016 annual general meeting dated 28 June 2017.

iii. General Goods and Services Framework Agreement II

On 5 June 2017, the Company entered into the General Goods and Services Framework Agreement II with COSCO SHIPPING Group, pursuant to which COSCO SHIPPING Group and/or its subsidiaries and associates shall provide a range of goods and services to the Group, which primarily include (i) fuel oil supplies and other products; and (ii) agency service and other services. The agreement is valid for a term commencing from 22 May 2017 and ending on 31 December 2019. For details of the agreement, please refer to the announcement dated 5 June 2017, supplemental circular of the 2016 annual general meeting of the Company dated 12 June 2017 and the poll results of the 2016 annual general meeting dated 28 June 2017.

(F) Continuing connected transactions with Qingdao OST

On 5 June 2017, the Company entered into the General Goods and Services Framework Agreement III with Qingdao OST, pursuant to which the Group shall provide Qingdao OST with a range of goods and services, primarily including: (i) power, fuel oil, water and other products; and (ii) communication services and other services. The agreement is valid for a term commencing from 22 May 2017 and ending on 31 December 2019. Please refer to the announcement made by the Company dated 5 June 2017 for details of the said agreement.

DIRECTORS' REPORT

Annual caps and actual transaction amounts for the above continuing connected transactions of the Company for the year 2017 are as follows:

Unit: RMB'000

	Annual cap for 2017	Amount incurred in 2017
A. Continuing connected transactions with QDP		
i Asset Lease Framework Agreement	120,000	78,711.50
ii General Goods and Services Agreement I	360,000	272,831.45
iii General Goods and Services Agreement II	80,000	28,897.56
iv Financial Leasing Framework Agreement *	50,000	—
B. Continuing connected transactions with Qingdao Finance		
i Daily maximum balance deposited by the Group in Qingdao Finance (including accrued interest and commission fee)	9,000,000	7,693,169.12
ii Daily maximum outstanding balance of the loans provided by Qingdao Finance to QDP and/or its associates (including accrued interest and commission fee)	1,500,000	388,439.92
C. Continuing connected transactions with Qingdao Financial Leasing**		
Daily maximum outstanding balance of the Group due to Qingdao Financial Leasing	900,000	546,595.02
Expenses under financial leasing services (including rent and other expenses)	15,000	8,230.68
D. Continuing connected transactions with QDP Financial Holdings		
Daily maximum outstanding balance of the accounts receivable financing services of the Group due to QDP Financial Holdings	100,000	7,980.00
Interests on accounts receivable financing services	3,000	24.83
Income from other commercial factoring services	1,000	—
E. Continuing connected transactions with COSCO SHIPPING Group***		
i Asset Lease Framework Agreement	22,000	13,387.51
ii General Goods and Services Agreement I		
Including handling services	203,600	130,874.39
logistics services	169,400	135,618.28
port ancillary services	7,000	3,575.39
Total	380,000	270,068.06
iii General Goods and Services Agreement II	100,000	99,379.37
F. Continuing connected transactions with Qingdao OST****		
General Goods and Services Agreement III	15,000	12,189.56

* The annual cap for the year 2017 of the financial leasing service provided by Qingdao Port Financial Leasing to QDP was only applicable to the period from January 1, 2017 to September 18, 2017. On September 19, 2017, the Group transferred the equity interest of Qingdao Port Financial Leasing to QDP Group, and Qingdao Port Financial Leasing became a connected person of the Company.

** The annual caps of the finance lease service provided by Qingdao Port Financial Leasing to the Group for 2017 only apply to the period commencing from 19 September 2017, during which Qingdao Port Financial Leasing is a connected person of the Company after the completion of Qingdao Port Financial Leasing Equity Transfer.

*** The annual caps of the transactions under such framework agreement for 2017 shall only apply to the period commencing from 22 May 2017, during which COSCO SHIPPING Group is a connected person of the Company.

**** Since COSCO SHIPPING Group holds more than 10% shares with voting rights of Qingdao OST, a non wholly-owned subsidiary of the Group, Qingdao OST is a connected person of the Group. The annual caps of the provision of general goods and services by the Group to Qingdao OST under the General Goods and Services Framework Agreement III for 2017 shall only apply to the period commencing from 22 May 2017, during which COSCO SHIPPING Group is a connected person of the Company.

DIRECTORS' REPORT

(G) CONFIRMATION FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company's independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that these transactions:

- (1) were entered into in the ordinary and usual course of business of the Group;
- (2) were either on normal commercial terms, or, in the absence of similar transactions to judge whether the terms are normal commercial terms, on terms no less favourable to those adopted for transactions between the Group and independent third parties;
- (3) were in accordance with the terms of such transaction agreements, which are in the interest of the Group and our Shareholders as a whole, and fair and reasonable; and
- (4) did not exceed the annual cap amounts.

(H) CONFIRMATION FROM THE AUDITOR

The auditor of the Company has been engaged to report on the continuing connected transactions of the Company as set out on pages 62 to 65 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified assurance report containing their conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules. The Company has provided a copy of the auditor's assurance report to the Hong Kong Stock Exchange.

(I) OTHERS

Except for the above, the Group did not enter into any other connected transactions which should comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For certain material related party transactions disclosed in Note 10 to the financial statements which were also connected transactions under Chapter 14A of the Listing Rules of the Company, the Company had made disclosure as required under the Listing Rules.

DESCRIPTION OF OTHER MATTERS

1. Business relocation

According to the municipal plan to transform and upgrade into a port for international cruise liners, the operations of Dagang Port Area will gradually be relocated to Dongjiakou Port Area and Qianwan Port Area. In 2017, the construction of the port for cruise liners had no effect on the operation of Dagang Branch.

As of the date of this report, we have not yet received any relocation plan or related of Huangdao Oil Port Area was not affected.

2. Litigations

Other than the No. 794 case which the Company was involved in as disclosed in the announcements of the Company published on 28 July 2014, 15 August 2014, 5 September 2014 and 27 October 2016, the Group was not involved in any material litigation or arbitration for the year ended 31 December 2017. The Company does not expect the aforesaid litigation and relevant judgments and orders to have a material adverse impact on the Group's business and operations.

DIRECTORS' REPORT

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognizes the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination of operating licenses. The Group has allocated system and staff resources to ensure ongoing compliance with rules and regulations and to maintain well relationships with regulators effectively through effective communications. During the year, the Group has complied, to the best of our knowledge, with all relevant rules and regulations that have a significant impact on the Company.

RELATIONSHIP WITH STAKEHOLDERS

The Company recognizes that our employees, customers and business associates are keys to our sustainability journey. We strive to achieve corporate sustainability through coordinating with our employees closely, providing quality services for our customers, collaborating with business partners and supporting our community.

The Company places significant emphasis on human resources. The Company provides a fair workplace and develop a non-discrimination and diversified environment. We also provide competitive remuneration and benefits, as well as a range of opportunities for career advancement based on employees' merits performance. The Company ensures that all businesses of the Group were conducted in accordance with the principles under the health and safety management system. The Company provides regular trainings for staff to keep them abreast of the latest developments in the market and industry, in the form of both internal trainings and trainings provided by experts from external organizations.

To increase customer satisfaction and promote a customer-oriented culture within the Company, we take 'Customer First' as one of our core values. We value the feedback from customers through daily communication, regular inspections, etc. We have also established the mechanism about customer service, support and complaints. When dealing with the customer complaint, we treat it as an opportunity to improve our relationship with the customer, addressing the concern in a timely manner and in accordance with international standards.

We believe that our suppliers are equally important in developing high-quality projects. We proactively collaborate with our business partners (including suppliers and contractors) to deliver quality sustainable products and services. We have formulated and included certain requirements in our standard tender documents. These requirements include regulatory compliance, labour practices, anti-corruption and other business ethics. We assure the performance of our suppliers through supplier approval process and by conducting factory audits/site visits and spot checks on the delivered goods at site during the contractual periods.

By order of the Board

Zheng Minghui

Chairman

Qingdao, China

19 March 2018

SUPERVISORS' REPORT

In 2017, the Supervisory Committee of the Company maintained the interests of the Company and its shareholders by seriously undertaking its responsibilities and supervising the compliant operation, connected transactions and material investment projects of the Company in accordance with the Company Law of the PRC, the Articles of Association, and the Procedural Rules of the Supervisory Committee.

I. MEETINGS HELD BY THE SUPERVISORY COMMITTEE

During the year, the Supervisory Committee held three meetings, the details of which were as follows:

- (i) On 17 March 2017, the Supervisory Committee held the third meeting of the second session of the Supervisory Committee to consider and approve seven resolutions including Resolution on the Annual Report for 2016 of Qingdao Port International Co., Ltd., Resolution on the 2016 Corporate Bond Annual Report of Qingdao Port International Co., Ltd., Resolution on 2016 Sustainability Report of Qingdao Port International Co., Ltd., Resolution on the Audited Financial Statements of Qingdao Port International Co., Ltd. for the year of 2016, Resolution on the Profit Distribution Plan of Qingdao Port International Co., Ltd. for the year of 2016, Resolution on the Work Report of the Supervisory Committee of Qingdao Port International Co., Ltd. for the year of 2016 and Resolution on the Approval of the 2017 Remuneration Plan for Supervisors of Qingdao Port International Co., Ltd.
- (ii) On 5 June 2017, the Supervisory Committee held the fourth meeting of the second session of the Supervisory Committee to consider and approve nine resolutions including Resolution on Conforming to the Conditions for Initial Public Offering and Listing of A Shares of Qingdao Port International Co., Ltd., Resolution on the Plan of Initial Public Offering of A Shares of Qingdao Port International Co., Ltd., Resolution on A Share Price Stabilization Plan of Qingdao Port International Co., Ltd., Resolution on Undertakings in connection with the Initial Public Offering of A Share made by Qingdao Port International Co., Ltd. and Restraint Measures, Resolution on Confirmation of Framework Agreements regarding Related Party Transactions signed with Related Party, Resolution on Use of Proceeds from the Initial Public Offering of A Share of Qingdao Port International Co., Ltd. and Feasibility Analysis Report, Resolution on Status Report and Verification Report on the Use of Previously Raised Funds, Resolution on Three-year Shareholders' Dividend Return Plan after the Initial Public Offering and Listing of A Shares of Qingdao Port International Co., Ltd. and Resolution on Procedures for Board of Supervisors Meetings of Qingdao Port International Co., Ltd. applicable following the Initial Public Offering and Listing of A Shares of the Company.
- (iii) On 25 August 2017, the Supervisory Committee held the fifth meeting of the second session of the Supervisory Committee to consider and approve five resolutions including Resolution on the 2017 Interim Report of Qingdao Port International Co., Ltd., Resolution on the 2017 Corporate Bond Interim Report of Qingdao Port International Co., Ltd., Resolution on Confirming of Audit Report from 1 January 2014 to 30 June 2017 of Qingdao Port International Co., Ltd., Resolution on Confirming of Related Party Transactions from 1 January 2014 to 30 June 2017 of Qingdao Port International Co., Ltd. and Resolution on Internal Control Review Report as of 30 June 2017 of Qingdao Port International Co., Ltd.

SUPERVISORS' REPORT

II. INDEPENDENT ADVICES OF BOARD OF SUPERVISORS ON RELEVANT ISSUES

(i) Compliance Operation

During the reporting period, the Board held Board meetings and considered resolutions as well as convened and organized the general meeting and attended relevant meetings through undertaking their responsibilities and operating legally in accordance with laws and regulations as well as the Articles of Association. The Directors and senior management maintained the interests of the Company and its shareholders by acting diligently and responsibly in the management and operation of the Company.

(ii) The Inspection of Financial Conditions of the Company

The Supervisory Committee has supervised the financial condition of the Company for the year of 2017 effectively and is of the view that the Company has a sound financial system and a good financial condition. PricewaterhouseCoopers Zhong Tian LLP, the auditor of the Company, has audited the financial statements of the Company and issued an unqualified audit report. The Supervisory Committee has reviewed the audited financial reports for the year of 2017 and believes that these financial reports has fairly and truly reflected the financial and operating conditions of the Company.

(iii) Use of Proceeds Raised from the Global Offering

Other than those disclosed in the Announcement on 28 December 2016, the proceeds from the Global Offering have been used strictly following the requirements set out in the Prospectus with standard procedures and without misusing the proceeds during the reporting period.

(iv) Connected Transactions

Connected transactions entered into during the reporting period have been complying with the requirements of the relevant connected transaction agreements, and are fair and reasonable to the Company and its shareholders without harming their interests.

(v) Major External Investments

Major investments made during the reporting period have been complying with the Articles of Association and the Management Rules on External Investment without harming the interests of the Company and its shareholders.

SUPERVISORS' REPORT

III. OUTLOOK AND PROSPECT FOR 2018

In 2018, the Supervisory Committee of the Company will continue to seriously fulfill their responsibilities as supervisors in accordance with laws and regulations, the Articles of Association and the regulatory rules to further enhance the compliant operation of the Company, ensure the sustainable and healthy development of the Company and maintain the legal interests of the Company, public shareholders and investors.

By Order of the Supervisory Committee
FU Xinmin
Chairman of the Supervisory Committee

Qingdao, China
19 March 2018

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report for the annual report of the Company for the year ended 31 December 2017 (the “Reporting Period”).

The Board is committed to upholding a high standard of corporate governance practices in the belief that they are essential for maintaining and promoting investors’ confidence and maximizing shareholders’ returns. The Board reviews its corporate governance practices from time to time in order to ensure high standards of corporate governance of the Company and meet the expectations of shareholders and other stakeholders.

The Company has been in compliance with the code provisions set out in the Corporate Governance Code in Appendix 14 of the Listing Rules during the Reporting Period.

II. THE BOARD

1. Composition of the Board

The Board currently comprises nine directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. Members of the Board of the Company are listed below:

Member of the Board	Position	Date of appointment
Mr. ZHENG Minghui (鄭明輝)	Chairman, executive Director	6 June 2016
Mr. CHENG Xinnong (成新農)	Vice Chairman, non-executive Director	6 June 2016
Mr. ZHANG Wei (張為) (Note 1)	Non-executive Director	28 June 2017
Mr. JIAO Guangjun (焦廣軍)	Executive Director, President	6 June 2016
Mr. MA Baoliang (馬寶亮)	Non-executive Director	6 June 2016
Ms. JIANG Chunfeng (姜春鳳)	Executive Director, Vice President	6 June 2016
Mr. WANG Yaping (王亞平)	Independent non-executive Director	6 June 2016
Mr. CHAU Kwok Keung (鄒國強)	Independent non-executive Director	6 June 2016
Mr. YANG Qiulin (楊秋林)	Independent non-executive Director	6 June 2016
Mr. ZHANG Qingcai (張慶財) (Note 2)	Non-executive Director	6 June 2016

Note 1: Mr. ZHANG Wei (張為) was appointed on 28 June 2017.

Note 2: Mr. ZHANG Qingcai (張慶財) was appointed on 6 June 2016 and resigned on 28 June 2017 due to other work commitments.

The Directors are elected by the general meetings and will hold offices until the annual general meeting for the year 2018 to be held in 2019. The Directors are subject to re-election for successive re-appointment when their directorships expire.

Biography of each director is set out in the section headed “Directors, Supervisors and Senior Management”. In addition, the list setting out the name, roles and function of each Director has been published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.qingdao-port.com).

The Directors have no financial, business, family or other material/relevant relationships with each other.

CORPORATE GOVERNANCE REPORT

Chairman and President

The positions of Chairman and President of the Company are segregated and held by different persons to ensure their respective independence of responsibility and accountability and the balance and restriction of power and authority between them. The Chairman, Mr. ZHENG Minghui, plays a critical role in leading the Board, ensuring that the Board is functioning properly and with well-formulated corporate governance practices and procedures, whilst Mr. JIAO Guangjun, the President, is mainly responsible for the day-to-day management of the Company's operations, including being in charge of the production and operation management of the Company, organizing the enforcement of resolutions of the Board and coordinating overall business operations.

Responsibilities of the Board and Management

The Board is responsible to all shareholders and mainly responsible for determining the operating plans and investment projects of the Company, managing the disclosure of the Company's information, attending to the regular or irregular work report of the President and review the work of the President, and determining such matters as the external investments, asset purchase and sale and pledge of assets within the scope authorized by the general meetings.

Under the leadership of the President (who is also an executive Director), the management of the Company is responsible for implementing the resolutions approved by the Board and administering the Company's day-to-day operation and management. In order to ensure the effective operation of the Company, the management submits an operation report of the Company to the Board each month, which enables the Board to monitor the operation situation of the Company in time and to assess and supervise the management. Meanwhile, the management also communicates with the Board in formal and informal manners in respect of the issues related to the operation and business of the Company and provides sufficient information at appropriate time to allow the Board to make decisions with sufficient background information, which enhance the decision-making efficiency and quality of the Board.

Independent Non-executive Directors

During the Reporting Period, the Company has three independent non-executive Directors in compliance with the Rules 3.10(1) and (2) of the Listing Rules, two of whom own accounting and financial management expertise and the other one owns expertise in law. The number of independent non-executive Directors accounts for one-third of the number of the Board members.

According to the Rule 3.13 of Listing Rules, the independent non-executive Directors of the Company have made confirmations to the Company regarding their independence during the Reporting Period. Based on the confirmations of the independent non-executive Directors, the Company considers each of them to be independent during the Reporting Period.

Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct for the Directors and Supervisors to conduct securities transactions. After making specific enquiry to all Directors and Supervisors, all directors and supervisors confirmed that they have fully complied with the required standard set out in the Model Code during the period from 1 January 2017/their respective appointment date to 31 December 2017.

CORPORATE GOVERNANCE REPORT

Training and Continuous Professional Development of Directors

On 28 June 2017, the newly appointed Director Mr. ZHANG Wei (張為) received trainings provided by Freshfields Bruckhaus Deringer, our Hong Kong legal adviser for Hong Kong law in relation to the “the continuing obligations and responsibilities of Directors of H Shares listed companies”.

In the first half of 2017, all Directors, Supervisors and senior management of the Company received trainings for several times provided by CITIC Securities Co. Ltd., the sponsor of the initial public offering of the A Shares of the Company, Beijing Jiayuan Law Firm, the domestic legal counsel of the Company and PricewaterhouseCoopers Zhong Tian LLP, the auditor of the Company mainly regarding “achieving cross-phase development by leveraging on the capital market following the listing of A Shares”, “differences in regulation between A Shares and H Shares and legal knowledge training on rights and obligations of directors, supervisors and senior management of A-Shares listed companies”, “the accounting standards and disclosure of financial information” and “internal control system”.

The Joint Company Secretaries provide Directors with information such as the latest amendments to the Listing Rules and other applicable regulatory requirements, cases of Hong Kong listed companies, industry news, production and operation situations of the Company from time to time to allow them to learn the updates of regulatory rules, industry information and the Company’s information in time and fulfill their responsibilities.

The Directors (including Mr. ZHENG Minghui (鄭明輝), Mr. CHENG Xinnong (成新農), Mr. ZHANG Wei (張為), Mr. JIAO Guangjun (焦廣軍), Mr. MA Baoliang (馬寶亮), Ms. JIANG Chunfeng (姜春鳳), Mr. WANG Yaping (王亞平), Mr. CHAU Kwok Keung (鄒國強) and Mr. YANG Qiulin (楊秋林)) get continuing professional development through participating in specific trainings, seminars, forums and reading publications on economy and securities to update their knowledge and technique, which will enable them to make continuous contributions to the Company with comprehensive knowledge and technique.

Liability Insurance of Directors, Supervisors and Members of Senior Management

The Company has been placing most great emphasis on risk prevention of the Directors’ liability, thus the Company has purchased insurances for all Directors, Supervisors and members of senior management to minimize risks that may be incurred in their normal performance of responsibilities.

Directors’ Responsibility on Financial Statements

The Directors are responsible for the preparation of the financial statements for the year ended 31 December 2017 that give a true and fair view of the affairs of the Company and the Group and the results and cash flow of the Group.

CORPORATE GOVERNANCE REPORT

2. Board Meetings and General Meeting

During the year, the Company held six Board meetings and convened four meetings of shareholders and class shareholders in total. The attendance of the above meetings by each Director is as follows:

Name of Directors	No. of Board Meetings Attended		No. of General and Class Shareholder Meetings Attended	
	During the Tenure	Attendance Rate	During the Tenure	Attendance Rate
Mr. ZHENG Minghui (鄭明輝)	6/6	100%	4/4	100%
Mr. CHENG Xinnong (成新農) (Note 1)	5/6	83%	4/4	100%
Mr. ZHANG Wei (張為) (Note 2)	2/3	67%	N/A	N/A
Mr. JIAO Guangjun (焦廣軍)	6/6	100%	4/4	100%
Mr. MA Baoliang (馬寶亮)	6/6	100%	4/4	100%
Mr. ZHANG Qingcai (張慶財) (Note 3)	3/3	100%	4/4	100%
Ms. JIANG Chunfeng (姜春鳳)	6/6	100%	4/4	100%
Mr. WANG Yaping (王亞平)	6/6	100%	4/4	100%
Mr. CHAU Kwok Keung (鄒國強)	6/6	100%	4/4	100%
Mr. YANG Qiulin (楊秋林)	6/6	100%	4/4	100%

Note 1: On 5 June 2017, since Mr. CHENG Xinnong (成新農) was on a business trip and could not attend the Board meeting in person. He appointed Mr. ZHANG Qingcai (張慶財) to exercise his voting right in the meeting on his behalf.

Note 2: Mr. ZHANG Wei (張為) was appointed on 28 June 2017. The Company held three Board meetings and did not hold any meeting of shareholders and class shareholders from the date of his appointment up to 31 December 2017. On 15 December 2017, Mr. ZHANG Wei (張為) was on a business trip and could not attend the Board meeting in person. He appointed Mr. JIAO Guangjun (焦廣軍) to exercise his voting right in the meeting on his behalf.

Note 3: Mr. ZHANG Qingcai (張慶財) resigned on 28 June 2017. The Company held three Board meetings and four meetings of shareholders and class shareholders from 1 January 2017 to the date of his resignation.

Notices for all regular Board meeting and the agenda and accompanying Board paper will be given to all Directors at least fourteen days before the meetings in order that they have sufficient time to review the papers. Minutes of each Board meeting are circulated to all Directors for perusal. Directors who have conflicts of interest in a board resolution have abstained from voting for that resolution.

All Directors shall obtain information related to the Board resolutions in a comprehensive and timely manner. Any Director can seek independent professional advice at the Company's expense after making reasonable request to the Board.

CORPORATE GOVERNANCE REPORT

II. SPECIAL COMMITTEES OF BOARD

The Board established four special committees, namely Strategy and Development Committee, Audit Committee, Remuneration Committee and Nomination Committee.

1. Strategy and Development Committee

The Strategy and Development Committee consists of seven Directors, namely Mr. ZHENG Minghui (鄭明輝), Mr. CHENG Xinnong (成新農), Mr. ZHANG Wei (張為), Mr. JIAO Guangjun (焦廣軍), Mr. MA Baoliang (馬寶亮), Ms. JIANG Chunfeng (姜春鳳) and Mr. WANG Yaping (王亞平). Mr. ZHENG Minghui (鄭明輝) serves as the chairman of the Strategy and Development Committee.

The primary responsibility of the Strategy and Development Committee is to review the overall development and strategic plans of the Company, the major investment and financing proposals of the Company and other issues that are material to the development of the Company, and to make recommendations to the Board. Its terms of reference can be referred to on the websites of the Hong Kong Stock Exchange and the Company.

During the Reporting Period, the Strategy and Development Committee held five meetings, in which resolutions regarding the proposed subscription, the proposed New H Shares Issue, general mandate to issue shares, general mandate to issue the debt financing instruments of the Company, the investment budget plan of the Company for 2017, initial public offering and listing of A shares and the Company's operation plan for 2018 were approved respectively and recommendations were made to the Board.

The attendance of the meetings by each member is as follows:

Name of Members	No. of Meetings Attended	Attendance Rate
Mr. ZHENG Minghui (鄭明輝) (Chairman)	5/5	100%
Mr. CHENG Xinnong (成新農)	5/5	100%
Mr. ZHANG Wei (張為) (Note 1)	1/2	50%
Mr. JIAO Guangjun (焦廣軍)	5/5	100%
Mr. MA Baoliang (馬寶亮)	5/5	100%
Mr. ZHANG Qingcai (張慶財) (Note 2)	3/3	100%
Ms. JIANG Chunfeng (姜春鳳)	5/5	100%
Mr. WANG Yaping (王亞平) (Note 3)	2/2	100%

Note 1: Mr. ZHANG Wei (張為) was appointed on 28 June 2017. The Company held two meetings of the Strategy and Development Committee from the date of his appointment up to 31 December 2017. On 15 December 2017, Mr. ZHANG Wei (張為) was on a business trip and could not attend the Strategy and Development Committee meeting in person. He appointed Mr. JIAO Guangjun (焦廣軍) to exercise his voting right in the meeting on his behalf.

Note 2: Mr. ZHANG Qingcai (張慶財) resigned on 28 June 2017. The Company held three meetings of the Strategy and Development Committee from 1 January 2017 to the date of his resignation.

Note 3: Mr. WANG Yaping (王亞平) was appointed on 28 June 2017. The Company held two meetings of the Strategy and Development Committee from the date of his appointment up to 31 December 2017.

CORPORATE GOVERNANCE REPORT

2. Audit Committee

The Audit Committee consists of three Directors, namely Mr. CHAU Kwok Keung (鄒國強), Mr. YANG Qiulin (楊秋林) and Mr. MA Baoliang (馬寶亮), of which Mr. CHAU Kwok Keung (鄒國強) and Mr. YANG Qiulin (楊秋林) are both independent non-executive Directors. Mr. CHAU Kwok Keung (鄒國強), who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules, serves as the chairman of the Audit Committee.

The primary responsibility of the Audit Committee is to review the financial information of the Company and its disclosure, oversee the financial operation status, risk management and internal control procedures of the Company, propose the appointment of external auditors and monitor their relationship with the Company and maintain close communication between the Company and its management with external auditors. Its terms of reference can be referred to on the websites of the Hong Kong Stock Exchange and the Company.

During the Reporting Period, the Audit Committee held four meetings, in which the Company's annual results announcement, annual report, corporate bonds annual report and audited financial statements for 2016, the investment budget plan of the Company for 2017, interim results announcement and interim report for 2017, corporate bonds interim report for 2017, initial public offering and listing of A shares, appointing the accounting firm of the Company for 2017 and determining its remuneration were approved and recommendations were made to the Board. In addition, the Audit Committee discussed with the external auditors in respect of the Company's annual audit plan and audit result for 2017.

The attendance of the meetings by each member is as follows:

Name of Members	No. of Meetings Attended During the Tenure	Attendance Rate
Mr. CHAU Kwok Keung (鄒國強) (Chairman)	4/4	100%
Mr. ZHANG Qingcai (張慶財) (Note 1)	2/2	100%
Mr. YANG Qiulin (楊秋林)	4/4	100%
Mr. MA Baoliang (馬寶亮) (Note 2)	2/2	100%

Note 1: Mr. ZHANG Qingcai (張慶財) resigned on 28 June 2017. The Company held two meetings of the Audit Committee from 1 January 2017 to the date of his resignation.

Note 2: Mr. MA Baoliang (馬寶亮) was appointed on 28 June 2017. The Company held two meetings of the Audit Committee from the date of his appointment up to 31 December 2017.

Representatives of the external auditors attended all the Audit Committee meetings held in 2017.

CORPORATE GOVERNANCE REPORT

3. Remuneration Committee

The Remuneration Committee consists of three Directors, namely Mr. WANG Yaping (王亞平), CHENG Xinnong (成新農) and Mr. YANG Qiulin (楊秋林), of which Mr. WANG Yaping (王亞平) and Mr. YANG Qiulin (楊秋林) are both independent non-executive Directors. Mr. WANG Yaping (王亞平) serves as the chairman of the Remuneration Committee.

The primary responsibility of the Remuneration Committee is to consider the remuneration structures and policies for all Directors and senior management of the Company, establish formal and transparent procedures to devise such remuneration policies and formulate the remuneration packages of Directors and members of senior management, as well as make recommendations to the Board. Its terms of reference can be referred to on the websites of the Hong Kong Stock Exchange and the Company.

During the Reporting Period, the Remuneration Committee held one meeting, in which the remuneration plan of the Directors and senior management for 2017 was approved.

The attendance of the meetings by each member is as follows:

Name of Members	No. of Meetings Attended During the Tenure	Attendance Rate
Mr. WANG Yaping (王亞平) (Chairman)	1/1	100%
Mr. CHENG Xinnong (成新農)	1/1	100%
Mr. YANG Qiulin (楊秋林)	1/1	100%

Pursuant to the code B.1.5 of the Corporate Governance Code under in Appendix 14 of the Listing Rules, the following table sets forth the remuneration of the Directors, Supervisors and members of senior management categorized by remuneration group for the year ended 31 December 2017:

Group (Note)	Remuneration (RMB)	Number of Individuals
1	0-500,000	12
2	500,000-1,000,000	1
3	1,000,000-2,000,000	5

Note:

Group 1 includes 7 Directors and 5 Supervisors of the Company.

Group 2 includes 1 Supervisor of the Company.

Group 3 includes 3 Directors and 2 senior management of the Company.

Further details of the Directors' emoluments and the top five highest paid employees required to be disclosed under Appendix 16 of the Listing Rules are set out in Note 10 (8) and Note 10 (9) to the financial statements for the year.

CORPORATE GOVERNANCE REPORT

4. Nomination Committee

The Nomination Committee consists of three Directors, namely Mr. ZHENG Minghui (鄭明輝), Mr. WANG Yaping (王亞平) and Mr. YANG Qiulin (楊秋林), of which Mr. WANG Yaping (王亞平) and Mr. YANG Qiulin (楊秋林) are both independent non-executive Directors. Mr. WANG Yaping (王亞平) serves as the chairman of the Nomination Committee.

The primary responsibility of the nomination Committee is to develop standards and procedures for the election of the Board members and members of the senior management, and make recommendations to the Board; review the structure, number, composition and membership diversity of the Board and its committees, and make appropriate recommendations for adjustments made to the Board in line with the corporate strategies of the Company; and propose to the Board candidates for Directors, president, vice president, chief financial officer and secretary to the Board. Its terms of reference can be referred to on the websites of the Hong Kong Stock Exchange and the Company.

During the Reporting Period, the Nomination Committee held one meeting, in which the nomination of Mr. ZHANG Wei (張為) as the director candidate for the second session of the Board of the Company was approved and recommendations was made to the Board.

The attendance of the meeting by each member is as follow:

Name of Members	No. of Meetings Attended During the Tenure	Attendance Rate
Mr. WANG Yaping (王亞平) (Chairman)	1/1	100%
Mr. ZHENG Minghui (鄭明輝)	1/1	100%
Mr. YANG Qiulin (楊秋林)	1/1	100%

The Board formulated and adopted the Board Diversity Policy. In designing the Board's composition, the Nomination Committee has considered Board diversity from a number of aspects, including but not limited to gender, age, cultural and educational background, race, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

CORPORATE GOVERNANCE REPORT

III. SUPERVISORY COMMITTEE

The supervisory committee consists of six Supervisors, including two shareholder representative Supervisors, two employee representative Supervisors and two independent Supervisors. The members of the Supervisory Committee of the Company are listed below:

Member of the Supervisory Committee	Position	Date of appointment
Mr. FU Xinmin (付新民)	Chairman of the Supervisory Committee, shareholder representative Supervisor	6 June 2016
Mr. CHI Dianmou (遲殿謀)	Shareholder representative Supervisor	6 June 2016
Ms. XUE Qingxia (薛清霞)	Employee representative Supervisor	6 June 2016
Ms. LIU Yuping (劉玉萍)	Employee representative Supervisor	6 June 2016
Mr. LI Xuxiu (李旭修)	Independent Supervisor	6 June 2016
Mr. LIU Dengqing (劉登清)	Independent Supervisor	6 June 2016

Shareholder representative Supervisors and independent Supervisors are elected and removed at the general meeting, while employee representative supervisors are democratically elected or replaced at the staff representative assembly. Each supervisor will hold offices until the annual general meeting for the year 2018 to be held in 2019, and is subject to re-election for successive re-appointment when his/her tenure expires.

Biography of each supervisor is set out in the section headed “Directors, Supervisors and Senior Management”.

During the Reporting Period, the supervisory committee held three meetings and attended four meetings of shareholders and class shareholders in total. The attendance of the meetings by each Supervisor is as follows:

Name of Supervisors	No. of Meetings of the Supervisory Committee Attended During the Tenure	Attendance Rate	No. of General and Class Shareholder Meetings Attended During the Tenure	Attendance Rate
Mr. FU Xinmin (付新民) (chairman of the Supervisory Committee)	3/3	100%	4/4	100%
Mr. CHI Dianmou (遲殿謀)	3/3	100%	4/4	100%
Ms. XUE Qingxia (薛清霞)	3/3	100%	4/4	100%
Ms. LIU Yuping (劉玉萍)	3/3	100%	4/4	100%
Mr. LI Xuxiu (李旭修)	3/3	100%	4/4	100%
Mr. LIU Dengqing (劉登清)	3/3	100%	4/4	100%

The performance of responsibilities by the Supervisory Committee is set out under the section headed “Supervisors’ Report”.

CORPORATE GOVERNANCE REPORT

IV. CORPORATE GOVERNANCE FUNCTION

The Board recognises that corporate governance should be the collective responsibility of Directors and delegated the corporate governance duties to the Audit Committee which include:

- to formulate and review the Company's policies and practices on corporate governance and make recommendations to the Board of Directors;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to formulate, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the Listing Rules and disclosure in the Corporate Governance Report.

V. JOINT COMPANY SECRETARIES

During the Reporting Period, the Joint Company Secretaries of the Company, Mr. CHEN Fuxiang and Ms. LAI Siu Kuen, an associate director of TMF Hong Kong Limited (a company secretarial service provider), had complied with the requirements on taking no less than 15 hours of relevant professional training as set out in Rule 3.29 of the Listing Rules. Mr. CHEN and Ms. LAI also actively participate in studies and update their professional knowledge related to the Listing Rules and corporate governance to continuously improve their professional skills as the Company Secretaries. The primary contact person at the Company is Mr. CHEN Fuxiang, one of the Joint Company Secretaries of the Company.

VI. AUDITOR

Financial statements contained in this report have been audited by PricewaterhouseCoopers Zhong Tian LLP. Service fees which shall be paid by the Company to PricewaterhouseCoopers Zhong Tian LLP for the year amounted to RMB10.94 million (value added tax and other related tax included).

Services rendered	Fees Payable (RMB)
Audit service	10,906,000
Non-audit services	32,000
Total	10,938,000

CORPORATE GOVERNANCE REPORT

VII. RISK MANAGEMENT AND INTERNAL CONTROL

The Company is committed to establishing high level risk management and internal control systems to safeguard the Company's assets and shareholders' investment. Systems and procedures in relation to risk management are set up to identify, measure, manage and control risks that include but are not limited to strategic, market, financial, operational and legal risk that may have an impact on the Company. The Company has defined the overall business structure of the Company and its subsidiaries, which detailed lines of authority and controls responsibilities in each business unit of the Company, to allow segregation of duties as well as to increase accountability, and has set up a procedure manual to regulate business processes and activities. The Company has established relevant measures to cope with the material internal control defects identified. The Board will carefully evaluate the possibility and potential impacts of the internal control defects, the management will assist the Board to formulate corrective measures and implement them to ensure these control defects are properly resolved in a timely manner.

The Board is responsible for assessing and determining the nature and extent of the risks willing to be accepted for achieving strategic objectives on an annual basis and continuously oversees the design, implementation and monitoring of the risk management and internal control system by the management to ensure its safe and effective operation. The Audit Committee established by the Board makes recommendations to the Board on the construction and implementation of risk management and internal control systems within their terms of reference, reviews the effectiveness of the Company's risk management and internal control systems and assists the Board to oversee the Company's risk management and internal control systems on an ongoing basis.

The Company has adopted the following measures in order to establish effective risk management and internal control:

1. Compliance Control

The Company has established a set of Corporate Governance Mechanism to promote compliance operation of the general meetings, the Supervisory Committee and the Board. The Company is also complied with the requirements of the Listing Rules, SFO and the Guidelines on Disclosure of Inside Information that it regulates information disclosure matters. The Company continues to strengthen connected transaction management, increase frequency of regular review for continuing connected transactions and perform related approval and disclosure obligations according to the requirements of the Listing Rules.

The procedures and internal controls for the identifying, handling, and publishing inside information by the Company include: (1) formulating and implementing relevant supporting systems, including the Management Measures Governing H share Information Disclosure, by the Board, and establishing the comprehensive process of reporting, identifying, and disclosing inside information to ensure that the disclosure of inside information is in compliance; (2) by means of training and instruction, fully informing relevant staffs, including members of the Board, the Supervisory Committee, and the management, of the obligations on information disclosure as stipulated under the Hong Kong Securities and Futures Commission's Guidelines on Disclosure of Inside Information and the Listing Rules; and (3) dispatching information to specific personnel on a need-to-know basis, putting emphasis on the prohibition of unauthorized use of confidential or inside information, and conducting the confidential work preceding the disclosure of insider information if necessary.

CORPORATE GOVERNANCE REPORT

2. Operation Control

The Company adjusts development initiatives timely by observing and evaluating the macroeconomic policies and operating conditions, the national industrial policies, and the industrial supply-demand conditions, in order to reduce market risk. The Company has established hierarchy control and approval mechanism for rate and impawning supervision to strengthen control through the whole process. The Company implements centralized procurement management, strictly inspects the procurement process of large-scale equipment and bulk goods and services to prevent procurement risk. The Company formulates a set of system on authorization management, contract management and seal management to strengthen contract risk control. The Company has also established safety accountability system and safety management system to safeguard the safety in production and operation of ports.

3. Investment Control

The Company has implemented centralized procedures of examination and approval on external investments of the Company itself and its subsidiaries, and established a set of management process, ranging from project screening, decision and approval and risk control to disposal of investment. In the view that the Company has many joint venture companies, the Company has also set up specialized management system for joint venture companies.

4. Finance Control

The Company has established a series of financial management measures, including business outsourcing, fixed assets leasing, insurance services, receivables, financing management and notes management, etc. to effectively prevent and reduce finance risk. The Company has implemented comprehensive budget management and promoted budget's process control, which provide quantitative index of finance and operation for the Board and management. The Company implemented a centralized appointment and regular rotation system for financial personnel management, and the Company implemented material matters real time reporting system for delegated units and strengthened centralized control. The audit committee communicates with auditors regularly to review the interim report and annual report, as well as supervise the financial operation. The Company also pays high attention to the job qualifications and professional integrity of accounting and financial personnel, and the Company takes full consideration of resources and budget of continuous trainings. The Board has also reviewed and satisfied with the Group's resources, staff qualification and experience on accounting and financial ability, and the training programs received by staffs and such budget are sufficient.

5. Internal Audit Control

The Company establishes a supervision department with corresponding supervision and audit responsibility, and the Company provides qualified designated personnel to assist the audit committee and supervisory committee to review and supervise the factuality, legitimacy and efficiency for the Group's financial revenues and expenses, financial budget, asset quality, operation performance, construction projects and related economic activities, so as to strengthen internal control and risk management.

In 2017, the Company conducted an annual evaluation of its risk management and internal control system. The method, findings, analysis and results of the evaluation have been reported to the audit committee and the Board. The Board discussed and considered the risk management and internal control system of the Company and its subsidiaries and was of the opinion that the risk management and internal control system of the Company was adequate and effective. The Board was of the opinion that the risk management and internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

CORPORATE GOVERNANCE REPORT

VIII. INVESTOR RELATIONS

1. General Meetings and Shareholder's Rights

The Company is committed to maintaining communication with shareholders. Shareholders are encouraged to attend general meetings held by the Company and are invited to express their views and raise questions thereat. The general meetings of the Company are divided into annual general meetings and extraordinary general meeting; and general meetings of the shareholders and class shareholder's meetings.

The annual general meeting is convened once a year within six months after the end of last fiscal year. The extraordinary general meeting is convened irregularly. In accordance with the Articles of Association, an extraordinary general meeting shall be convened on the requisition of two or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Board Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. The Board of the Company shall as soon as possible proceed to convene the extraordinary general meeting or a class shareholder's meeting after receiving the above written requisition.

The Company shall publish an announcement and issue the written notice of convening a general meeting 45 days prior to the general meeting, which specifies the matters to be considered and date and venue of the meeting. Shareholders who individually or jointly hold more than 3% of the shares of the Company are entitled to submit a temporary proposal to the Board in writing 10 days before the general meeting; the Board shall issue a supplemental notice of the general meeting within 2 days upon receiving the proposal and publish an announcement for the extraordinary proposals. The proposals shall be within the scope of authority of the shareholders' meeting, and shall have clear object and detailed agenda items, and shall comply with laws, administrative regulations and the Articles of Association.

Directors, Supervisors and the Board Secretary of the Company are present at the general meetings, while President, vice President, Chief Financial Officer and external auditor of the Company attend general meetings as non-voting attendees to respond to shareholders' questions in relation to proposed resolutions seeking approval at the meetings. The circular containing information relating to the general meetings will be dispatched to all the shareholders before the convening of the shareholders' general meeting as required.

Minutes of meetings of the general meetings are kept in the Company. A shareholder shall be entitled to inspect copies of minutes of meetings free of charge during office hours of the Company or pay reasonable fees to the Company in order to obtain copies of minutes of meetings.

In the first extraordinary general meeting, the first general meeting of domestic shareholders and the first general meeting of H share shareholders of 2017 held on 10 March 2017, the chairman of the meeting demanded that all resolutions to be passed by poll and had explained the procedures for voting at the meeting. At the meeting, the resolutions regarding the proposed subscription, the proposed New H Shares Issue and amendments to the Articles of Association were considered and approved. For the details, please refer to the announcement of the Company on the poll results dated 10 March 2017.

In the shareholders' annual general meeting of the Company held on 28 June 2017, the chairman of the meeting demanded that all resolutions to be passed by poll and had explained the procedures for voting at the meeting. At the meeting, the resolutions regarding initial public offering and listing of A shares, the annual report for 2016, the profit distribution plan for 2016, the investment budget plan of the Company for 2017 and election of Directors were considered and approved. For the details, please refer to the announcement of the Company on the poll results dated 28 June 2017.

CORPORATE GOVERNANCE REPORT

2. Amendments of Constitutional Document

The amendments to the Articles of Association were approved at the 2017 first extraordinary general meeting of the Company held on 10 March 2017 and the revised version came into effect upon the completion of the Subscription of Domestic Shares. The amendments to the Articles of Association were then approved at the annual general meeting of the Company held on 28 June 2017 and the revised version will take effect upon the initial public offering and listing of A shares of the Company. The current Articles of Association have been published on the websites of the Company and the Hong Kong Stock Exchange.

3. Information Disclosure

The Company insists the principles of sufficiency, compliance, equality of opportunity, honest and trustworthy, focusing on efficiency and interactive communication, and discloses the Company's information in a timely and precise manner according to the requirements of the Listing Rules.

To promote effective communication, the Company also publishes information such as latest announcement and business development of the Group in a timely manner on the Company's website, through which shareholders and investors can grasp the latest business condition and dynamic condition of the Company at the first time.

4. Investor Relations Management

The Company pays much attention to the management work of investor relations, and regards investor relations as an important aspect of corporate governance. The Company has established Investor Relations Management System, with secretary of the Board being responsible for the overall coordination and arrangement of the management work of investor relations, and general office of the Board being responsible for specific implementation. The Company is committed to setting up an efficient communication bridge between management and investors.

During this year, in order to allow investors fully understand the results performance, operation strategy and development prospect of the Company, the Company has held various activities, including results conference, results road show, analysts on-site meeting, site visit and teleconference etc., through which the Company has deep communication with investors and related persons.

Furthermore, the office of the Board reports investors' perception of the Company and relevant development to the management regularly, so that the management can understand the concerns of investors and the changes of relevant policies and requirements in time, thus improving its work on investor relations.

The Company considers the management of investor relations as a long-term systematic project. Looking forward, the Company will continuously review and improve its investor relations at appropriate time in accordance with the regulatory requirements of the Hong Kong Stock Exchange, the development trend of the capital market and investors' expectation, keep contact with domestic and oversea investors and maintain a good image in the capital market.

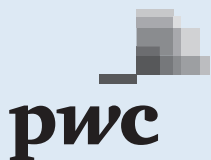
Shareholders and investors of the Company may send their enquiries and concerns to the Company by addressing them to the office of the Board. The contact details are as follows:

Office of the Board

Tel: 86-532-82982011

E-mail: qggj@qdport.com

Address: 58 Ganghuan Road, City North District, Qingdao, Shandong Province, the People's Republic of China



普华永道

To the Shareholders of Qingdao Port International Co., Ltd.,

OPINION

What we have audited

We have audited the accompanying financial statements of Qingdao Port International Co., Ltd. (hereinafter “Qingdao Port International”), which comprise:

- the consolidated and company balance sheets as at 31 December 2017;
- the consolidated and company income statements for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the consolidated and company statements of changes in shareholders' equity for the year then ended; and
- notes to the financial statements.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of Qingdao Port International as at 31 December 2017, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises (“CASs”).

BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing (“CSAs”). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of Qingdao Port International in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants (“CICPA Code”), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code.

普华永道中天会计师事务所(特殊普通合伙)
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AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Provision for early retirement benefits and supplemental retirement benefits obligations
- Purchase of 20% equity interest in Qingdao Qianwan Container Terminal Co., Ltd. ("QQCT")
- Estimates on the bad debt provision for accounts receivable

Key Audit Matter

Provision for early retirement benefits and supplemental retirement benefits obligations

As stated in Note 4 "Significant accounting policies and accounting estimates" (20) (b) (c), (30) (c) and Note 6(28), Qingdao Port International has provided early retirement benefits to employees who have accepted voluntary redundancy and has also provided supplemental retirement benefits to its employees. As at 31 December 2017, Qingdao Port International has recognised liabilities in connection with the provisions for early retirement benefits and supplemental retirement benefits of approximately RMB109.49 million and RMB2,380.61 million, respectively.

The liabilities in connection with the early retirement benefits and supplemental retirement benefits are determined on an actuarial basis based on different assumptions. Management has engaged a third-party actuary to conduct actuarial valuation on the aforesaid early retirement benefits and supplemental retirement benefits obligations. Changes in the key actuarial assumptions (including discount rates, benefits growth rates and mortality etc.) can have a material impact on the provision for the related retirement benefits obligations. The selection of those actuarial assumptions requires significant judgements and estimates.

We focused on this area because the provision for early retirement benefits and supplemental retirement benefits obligations requires significant judgements and estimates and also the amounts involved are significant.

How our audit addressed the Key Audit Matter

We evaluated and validated Qingdao Port International's internal controls over the provision for early retirement benefits and supplemental retirement benefits obligations.

We evaluated the capability, professionalism and objectivity of the third-party actuary.

We involved our internal actuarial experts to assist us in evaluating the reasonableness of the key assumptions as adopted by the third-party actuary. The evaluation works include assessing the bases for any changes in the actuarial assumptions, comparing the discount rates as adopted with the spot rate of treasury bonds as of the balance sheet date, checking the mortality used to the China Life Insurance Mortality Table, comparing the growth rates of various benefits with Qingdao Port International's benefits policies and historical information, the historical price indexes as announced by The National Bureau of Statistics of the People's Republic of China or the local social average wage growth rates, as well as considering the potential impact if these assumptions are to be changed within a reasonable range.

We verified the source data (e.g. basic information of employees, benefits payments for the current period etc.) as used by the actuary against the relevant records and financial data as maintained by management.

We found that the management's judgements and estimates on the assumptions as adopted for the provisions for early retirement benefits and supplemental retirement benefits obligations are within an acceptable extent.

KEY AUDIT MATTERS (Continued)

Key Audit Matter

Purchase of 20% equity interest in QQCT

As presented in Note 4 “Significant accounting policies and accounting estimates” (30) (e), Note 6(30) and Note 8(2) (b), Qingdao Port International completed proposed subscription of 1,015,520,000 domestic shares with the subscription price of RMB 5.71 per share to Shanghai Zhonghai Terminal Development Co., Ltd. (“Shanghai Zhonghai Terminal”) on 22 May 2017. Shanghai Zhonghai Terminal subscribed the aforesaid shares with cash of RMB2,599.97 million and 20% equity interest in QQCT held (equivalent to RMB3,198.65 million).

Management has assessed the fair value of the equity interest in QQCT on the acquisition date (22 May 2017) and allocated the fair value among assets with the help of an independent valuer, in order to provide the basis for the initial recognition for the newly-acquired 20% equity interest in QQCT. The equity fair value evaluation involved the selection of the value type, the determination of evaluation method and evaluation parameters such as discount rate, and the assumption of the operating and financial performance of QQCT for the coming several years. Fair value allocation involves the recognition of identifiable intangible assets, evaluation method of tangible assets and judgements over the reasonableness of key evaluation parameters.

We focused on this area because the amount of acquisition of the 20% equity interest is significant and the above parameters, assumptions and methods require significant judgements by management.

How our audit addressed the Key Audit Matter

We understood and validated Qingdao Port International's internal controls over significant acquisition transactions.

We obtained and read the documents including the transaction agreement entered into by Qingdao Port International and Shanghai Zhonghai Terminal.

We evaluated the capability, professionalism and objectivity of the independent valuer.

We involved our internal valuation experts to evaluate the reasonableness of the selection of the value type, the determination of evaluation method and evaluation parameters such as discount rate under income approach in the equity fair value evaluation.

We involved our internal valuation experts to evaluate the reasonableness of the recognition of identifiable intangible assets and the evaluation method of tangible assets (buildings and structures, machinery and equipment, land use rights, etc.), to check the reasonableness of key evaluation parameters of tangible assets on sample basis and to evaluate the overall reasonableness of fair value allocation.

We compared the operating and financial performance of QQCT for the coming several years used in the evaluation with QQCT's historical financial data and approved operating budgets, etc.

We checked the accounting treatment and related disclosures of acquisition matters.

Based on the results of the above work, we found management's judgements on equity fair value evaluation and fair value allocation are supported by the available evidence.

AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key Audit Matter

Estimates on the bad debt provision for accounts receivable

As stated in Note 4 "Significant accounting policies and accounting estimates" (30) (d), (32) and Note 6(3), the gross carrying amount of accounts receivable amounted to RMB1,992.93 million and a provision for impairment of RMB119.57 million has been recognised as of the 31 December 2017.

The management's assessment on the recoverability of receivables requires significant judgements and estimates. Take into account various factors like the debtors' financial position, historical recovery, the current market conditions of the debtor's industry and the aging of accounts receivables, the Group has made judgement on the basis for separate provision for bad debts, the determination of receivables on the grouping basis with similar credit risk characteristics and the proportion of bad debts using ageing analysis method.

We focused on this area because the amounts involved are significant and management made significant judgement in determining the impairment of accounts receivable.

How our audit addressed the Key Audit Matter

We evaluated and validated Qingdao Port International's internal controls over the recoverability of accounts receivable.

Take into account the aging of accounts receivables, historical recovery, and comparison with other listed port operating companies in China, we evaluated the reasonableness of Qingdao Port International's bad debt provision accounting estimates and changes in accounting estimates for accounts receivable, including the basis for separate provision for bad debts, the determination of receivables on the grouping basis with similar credit risk characteristics and the proportion of bad debts using ageing analysis method, and we also evaluated the sufficiency of its disclosure in the financial statement.

We conducted external confirmation procedures for significant accounts receivable balances as at 31 December 2017 and agreed the confirmed balances to the amounts as recorded by Qingdao Port International. On sample basis, we checked the accuracy of the aging of accounts receivable by inspecting the related supporting documents (such as operation records and invoices etc.) and recalculate the bad debt provision amount.

We interviewed management to understand the information of those major debtors which are engaged in high-risk industries (e.g. steel manufacturing companies) or which are with overdue balances and obtained management's explanations on the recoverability of the related accounts receivable balances. We assessed and verified the management's explanations on the recoverability of the related accounts receivable by performing the following procedures:

- Checked the historical repayment records on sample basis;
- Checked the status of subsequent recoverability of accounts receivable on sample basis;
- Interviewed major debtors on sample basis to understand their business relationships with Qingdao Port International, the status of their settlements and their current financial position;
- Regarding those debtors with relatively large receivable balances or with delays in their settlements, we searched the website of the court on sample basis to understand whether there is any significant litigation or bankruptcy information publicly published which have implications on the financial positions of the related debtors.

We found that there was evidence to support the management's judgements and estimates on the recoverability of accounts receivable.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises all of the information included in 2017 annual report of Qingdao Port International other than the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THE AUDIT COMMITTEE FOR THE FINANCIAL STATEMENTS

Management of the Qingdao Port International is responsible for the preparation and fair presentation of these financial statements in accordance with the CASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee is responsible for overseeing Qingdao Port International's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgements and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Qingdao Port International's internal control.

AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Qingdao Port International's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Qingdao Port International to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Qingdao Port International to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

PricewaterhouseCoopers Zhong Tian LLP

Shanghai, the People's Republic of China
19 March 2018

Signing CPA
Li Xuemei (Engagement Partner)

Signing CPA
Hu Xianxia

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note 6 (Unless otherwise stated)	31 December 2017	31 December 2016
Current assets			
Cash at bank and on hand	(1)	11,705,176,363	8,100,294,431
Notes receivable	(2)	591,810,980	665,419,919
Accounts receivable	(3) (a)	1,873,364,887	1,307,610,944
Advances to suppliers	(4)	79,591,581	59,043,938
Interests receivable		34,368,536	27,600,404
Dividends receivable	10(6) (c)	—	100,000,000
Other receivables	(3) (b)	1,029,725,553	861,340,269
Inventories	(5)	525,393,278	482,195,054
Current portion of non-current assets	(8), (14)	330,646,872	313,729,688
Other current assets	(6)	1,036,159,101	1,197,414,942
Total current assets		17,206,237,151	13,114,649,589
Non-current assets			
Available-for-sale financial assets	(7)	183,565,665	92,207,877
Long-term receivables	(8)	4,395,674,475	3,484,533,992
Long-term equity investments	(9)	8,538,241,729	5,139,039,800
Investment properties	(10)	193,296,445	117,843,468
Fixed assets	(11)	13,034,655,703	11,684,982,980
Construction in progress	(12)	2,163,986,568	2,172,757,318
Construction materials		—	166,211,455
Intangible assets	(13)	922,024,156	931,416,765
Goodwill		20,686,493	18,836,008
Long-term prepaid expenses		24,247,437	14,874,061
Deferred tax assets	(16)	896,767,023	872,096,260
Other non-current assets	(14)	474,269,567	473,124,633
Total non-current assets		30,847,415,261	25,167,924,617
TOTAL ASSETS		48,053,652,412	38,282,574,206

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note 6	31 December 2017	31 December 2016
Current liabilities			
Short-term borrowings	(17)	56,685,445	262,947,290
Notes payable	(18)	882,183,561	817,619,173
Accounts payable	(19)	1,517,605,961	1,125,837,022
Advances from customers		338,116,515	334,125,905
Employee benefits payable	(20)	224,390,581	227,056,983
Taxes payable	(21)	206,127,308	153,220,569
Interests payable	(22)	99,576,003	99,129,006
Other payables	(23)	9,777,438,463	9,895,856,196
Current portion of non-current liabilities		<u>38,185,563</u>	<u>24,137,717</u>
Total current liabilities		<u>13,140,309,400</u>	<u>12,939,929,861</u>
Non-current liabilities			
Long-term borrowings	(24)	188,172,988	137,390,687
Bonds payable	(25)	3,500,000,000	3,500,000,000
Long-term payables	(26)	581,670,617	58,101,909
Provisions		2,024,113	2,283,097
Deferred income	(27)	139,299,471	145,259,921
Long-term employee benefits payable	(28)	2,357,290,000	2,731,450,000
Other non-current liabilities	(29)	<u>3,082,229,433</u>	<u>3,285,600,108</u>
Total non-current liabilities		<u>9,850,686,622</u>	<u>9,860,085,722</u>
Total liabilities		<u>22,990,996,022</u>	<u>22,800,015,583</u>
Equity			
Share capital		6,036,724,000	4,778,204,000
Capital surplus	(30)	10,770,800,519	5,321,635,366
Other comprehensive income	(31)	283,865,500	(63,024,800)
Specific reserve		11,946,732	2,991,631
Surplus reserve	(32)	673,990,310	429,859,457
General reserve	(33)	226,359,871	134,121,910
Undistributed profits	(34)	<u>5,550,975,839</u>	<u>3,631,936,223</u>
Total equity attributable to shareholders of the Company		<u>23,554,662,771</u>	<u>14,235,723,787</u>
Non-controlling interests		<u>1,507,993,619</u>	<u>1,246,834,836</u>
Total equity		<u>25,062,656,390</u>	<u>15,482,558,623</u>
TOTAL LIABILITIES AND EQUITY		<u><u>48,053,652,412</u></u>	<u><u>38,282,574,206</u></u>

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

COMPANY BALANCE SHEET

As at 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note 17 (Unless otherwise stated)	31 December 2017	31 December 2016
Current assets			
Cash at bank and on hand	(1)	4,699,877,447	2,253,873,559
Notes receivable	(2)	207,434,549	384,780,521
Accounts receivable	(3) (a)	956,905,662	685,670,025
Advances to suppliers	(4)	8,479,077	6,375,257
Interests receivable		16,724,857	7,932,218
Dividends receivable	10(6) (c)	—	100,000,000
Other receivables	(3) (b)	456,876,345	779,586,706
Inventories	(5)	165,598,525	370,639,286
Current portion of non-current assets		11,806,865	11,613,049
Other current assets	(6)	321,590,281	51,518,077
Total current assets		6,845,293,608	4,651,988,698
Non-current assets			
Available-for-sale financial assets		71,421,487	71,421,487
Long-term receivables	(7)	4,280,125,000	2,995,000,000
Long-term equity investments	(8)	12,768,800,585	9,210,761,362
Investment properties	(9)	671,499,479	573,468,864
Fixed assets	(10)	8,244,155,732	8,757,681,495
Construction in progress	(11)	1,074,161,974	1,038,519,224
Intangible assets	(12)	2,205,498,287	2,313,610,734
Long-term prepaid expenses		9,188,607	7,764,816
Deferred tax assets	(15)	67,060,993	64,089,545
Other non-current assets	(13)	239,931,669	216,444,105
Total non-current assets		29,631,843,813	25,248,761,632
TOTAL ASSETS		36,477,137,421	29,900,750,330

COMPANY BALANCE SHEET (CONTINUED)

As at 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS EQUITY	Note 17 (Unless otherwise stated)	31 December 2017	31 December 2016
Current liabilities			
Short-term borrowings	(16)	315,000,000	408,760,938
Notes payable	(17)	225,818,064	270,246,223
Accounts payable		561,731,007	790,245,295
Advances from customers		251,930,898	259,356,101
Employee benefits payable	(18)	183,862,520	197,049,152
Taxes payable	(19)	80,425,639	28,061,465
Interests payable		69,260,003	69,346,277
Other payables	(20)	443,191,140	1,722,699,187
Current portion of non-current liabilities		1,500,480	—
Total current liabilities		2,132,719,751	3,745,764,638
Non-current liabilities			
Bonds payable	6(25)	3,500,000,000	3,500,000,000
Long-term payables		112,611,705	52,016,078
Provisions		2,024,113	2,283,097
Deferred income		135,275,920	139,190,364
Long-term employee benefits payable	(21)	2,155,560,000	2,524,620,000
Other non-current liabilities		3,082,229,433	3,285,600,108
Total non-current liabilities		8,987,701,171	9,503,709,647
Total liabilities		11,120,420,922	13,249,474,285
Equity			
Share capital		6,036,724,000	4,778,204,000
Capital surplus	(22)	14,699,598,194	9,250,433,041
Other comprehensive income	(34)	270,820,000	(65,200,000)
Specific reserve		7,977,788	—
Surplus reserve	6(32)	673,990,310	429,859,457
Undistributed profits	(23)	3,667,606,207	2,257,979,547
Total equity		25,356,716,499	16,651,276,045
TOTAL LIABILITIES AND EQUITY		36,477,137,421	29,900,750,330

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

Item	Note 6	2017	2016
Revenue	(35)	10,146,225,042	8,684,189,666
Less: Cost of sales	(35), (38)	(6,816,103,303)	(6,052,764,155)
Taxes and surcharges	(36)	(106,069,942)	(110,422,195)
Selling and distribution expenses	(38)	(16,114,135)	(16,514,031)
General and administrative expenses	(38)	(506,090,557)	(634,600,395)
Finance expenses	(37)	149,030,898	124,994,591
Asset impairment losses	(39)	(139,282,045)	(45,159,962)
Add: Investment income	(40)	1,171,489,447	803,944,446
Including: Share of profit of associates and joint ventures		1,116,550,382	793,115,582
Gains on disposal of assets	(41)	29,758,720	9,175,119
Other income	(42)	48,074,607	—
Operating profit		3,960,918,732	2,762,843,084
Add: Non-operating income	(43)	31,188,570	103,097,167
Less: Non-operating expenses		(1,317,482)	(1,325,988)
Total profit		3,990,789,820	2,864,614,263
Less: Income tax expenses	(44)	(750,427,234)	(565,522,067)
Net profit		3,240,362,586	2,299,092,196
Including: Net profit of the acquired entity in a business combination involving enterprises under common control before the combination date		—	862,154
Classified by continuity of operations			
Net profit from continuing operations		3,240,362,586	2,299,092,196
Net profit from discontinued operations		—	—
Classified by ownership of the equity			
Attributable to shareholders of the Company		3,042,959,443	2,186,153,537
Attributable to non-controlling interests		197,403,143	112,938,659
Other comprehensive income, net of tax	(31)	347,410,000	238,570,000
Attributable to shareholders of the Company			
Other comprehensive income that will not be subsequently reclassified to profit or loss			
Changes in remeasurement of defined benefit plan obligations		346,890,300	238,134,800
Attributable to non-controlling interests		519,700	435,200

CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 6	2017	2016
Total comprehensive income		<u>3,587,772,586</u>	<u>2,537,662,196</u>
Attributable to shareholders of the Company		3,389,849,743	2,424,288,337
Attributable to non-controlling interests		197,922,843	113,373,859
Earnings per share			
Basic earnings per share	(45) (a)	0.55	0.46
Diluted earnings per share	(45) (b)	0.55	0.46

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

COMPANY INCOME STATEMENT

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

Item	Note 17	2017	2016
Revenue	(24)	5,507,549,447	5,104,047,949
Less: Cost of sales	(24), (27)	(3,975,224,128)	(3,699,695,853)
Taxes and surcharges	(25)	(88,009,794)	(77,643,088)
Selling and distribution expenses	(27)	(15,361,752)	(15,624,161)
General and administrative expenses	(27)	(320,359,115)	(467,873,615)
Finance expenses	(26)	(53,689,821)	(60,274,059)
Asset impairment losses	(28)	(41,367,807)	(32,437,785)
Add: Investment income	(29)	1,672,193,471	899,419,487
Including: Share of profit of associates and joint ventures		1,108,662,568	777,385,037
Gains on disposal of assets	(30)	18,076,710	4,980,133
Other income	(31)	7,961,349	—
Operating profit		2,711,768,560	1,654,899,008
Add: Non-operating income	(32)	21,611,756	27,736,794
Less: Non-operating expenses		(1,162,335)	(1,200,235)
Total profit		2,732,217,981	1,681,435,567
Less: Income tax expenses	(33)	(290,909,455)	(252,881,878)
Net profit		2,441,308,526	1,428,553,689
Classified by continuity of operations			
Net profit from continuing operations		2,441,308,526	1,428,553,689
Net profit from discontinued operations		—	—
Other comprehensive income, net of tax	(34)	336,020,000	226,580,000
Other comprehensive income that will not be subsequently reclassified to profit or loss			
Changes in remeasurement of defined benefit plan obligations		336,020,000	226,580,000
Total comprehensive income		2,777,328,526	1,655,133,689

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 6	2017	2016
Cash flows from operating activities			
Cash received from sales of goods or rendering of services		8,278,094,521	6,739,275,889
Cash received relating to other operating activities	(46) (g)	328,669,381	316,823,721
Sub-total of cash inflows		8,606,763,902	7,056,099,610
Cash paid for goods and services		(3,471,477,800)	(3,160,454,252)
Cash paid to and on behalf of employees		(1,903,628,956)	(1,878,506,487)
Payments of taxes and surcharges		(1,057,342,700)	(850,470,042)
Cash paid relating to other operating activities	(46) (h)	(250,025,849)	(207,867,788)
Sub-total of cash outflows		(6,682,475,305)	(6,097,298,569)
Net cash flows from operating activities	(46) (a)	1,924,288,597	958,801,041
Cash flows from investing activities			
Cash received from disposal of investments		7,335,313,153	2,672,826,884
Cash received from returns on investments		1,564,698,158	690,838,562
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		169,532,059	46,985,233
Net cash received from disposal of subsidiaries	(46) (j)	282,901,743	—
Cash received relating to other investing activities	(46) (i)	1,586,297,949	884,361,817
Sub-total of cash inflows		10,938,743,062	4,295,012,496
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(2,623,247,513)	(2,500,414,100)
Cash paid to acquire investments		(7,271,436,076)	(5,755,641,249)
Net cash paid to acquire a subsidiary	(46) (j)	(150,986,216)	—
Cash paid relating to other investing activities	(46) (k)	(2,635,303,212)	(3,107,587,263)
Sub-total of cash outflows		(12,680,973,017)	(11,363,642,612)
Net cash flows from investing activities		(1,742,229,955)	(7,068,630,116)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

Item	Note 6	2017	2016
Cash flows from financing activities			
Cash received from capital contributions		3,636,021,848	274,351,304
Including: Cash received by subsidiaries from capital contributions by minority shareholders		110,900,000	274,351,304
Cash received from borrowings		563,047,370	531,123,079
Cash received from issuing bonds		—	3,500,000,000
Cash received relating to other financing activities		1,260,030,741	691,018,370
Sub-total of cash inflows	(46) (l)	5,459,099,959	4,996,492,753
Cash repayments of borrowings		(475,576,199)	(40,000,000)
Cash payments for distribution of dividends, profits or interest expenses		(1,050,087,466)	(748,974,382)
Including: Cash payments for distribution of profits to minority shareholders of subsidiaries		(48,496,879)	(24,313,063)
Cash paid relating to other financing activities	(46) (m)	(447,933,058)	(123,143,652)
Sub-total of cash outflows		(1,973,596,723)	(912,118,034)
Net cash flows from financing activities		3,485,503,236	4,084,374,719
Effect of foreign exchange rate changes on cash		(52,110,364)	10,474,645
Net increase/(decrease) in cash	(46) (e)	3,615,451,514	(2,014,979,711)
Add: Cash at beginning of year		2,747,487,988	4,762,467,699
Cash at end of year	(46) (f)	6,362,939,502	2,747,487,988

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

COMPANY CASH FLOW STATEMENT

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 17	2017	2016
Cash flows from operating activities			
Cash received from sales of goods or rendering of services		3,296,429,704	3,506,288,687
Cash received relating to other operating activities	(35) (g)	275,801,620	252,106,357
Sub-total of cash inflows		3,572,231,324	3,758,395,044
Cash paid for goods and services		(1,079,684,613)	(1,532,172,794)
Cash paid to and on behalf of employees		(1,365,640,104)	(1,384,881,540)
Payments of taxes and surcharges		(427,707,899)	(446,980,900)
Cash paid relating to other operating activities	(35) (h)	(74,895,427)	(148,266,823)
Sub-total of cash outflows		(2,947,928,043)	(3,512,302,057)
Net cash flows from operating activities	(35) (a)	624,303,281	246,092,987
Cash flows from investing activities			
Cash received from disposal of investments		1,117,898,464	2,419,500,000
Cash received from returns on investments		1,751,238,895	548,468,641
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		164,854,809	650,181,323
Cash received relating to other investing activities	(35) (i)	60,000,000	409,080,753
Sub-total of cash inflows		3,093,992,168	4,027,230,717
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(562,826,806)	(449,342,457)
Cash paid to acquire investments		(1,926,419,115)	(3,291,514,795)
Cash paid relating to other investing activities	(35) (j)	(1,407,574,570)	(3,055,000,000)
Sub-total of cash outflows		(3,896,820,491)	(6,795,857,252)
Net cash flows from investing activities		(802,828,323)	(2,768,626,535)

COMPANY CASH FLOW STATEMENT (CONTINUED)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

Item	Note 17	2017	2016
Cash flows from financing activities			
Cash received from capital contributions		3,525,121,848	—
Cash received from borrowings		724,464,794	683,116,727
Cash received from issuing bonds		—	3,500,000,000
Sub-total of cash inflows		4,249,586,642	4,183,116,727
Cash repayments of borrowings		(576,795,017)	(55,000,000)
Cash payments for distribution of dividends, profits or interest expenses		(914,671,198)	(675,495,052)
Cash paid relating to other financing activities	(35) (k)	(433,562,948)	(123,143,652)
Sub-total of cash outflows		(1,925,029,163)	(853,638,704)
Net cash flows from financing activities		2,324,557,479	3,329,478,023
Effect of foreign exchange rate changes on cash		(43,406,254)	1,775,934
Net increase in cash	(35) (e)	2,102,626,183	808,720,409
Add: Cash at beginning of year		2,183,155,558	1,374,435,149
Cash at end of year	(35) (f)	4,285,781,741	2,183,155,558

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 6	Attributable to shareholders of the Company							Non-controlling interests	Total equity
		Share capital	Capital surplus	Other comprehensive income	Surplus reserve	General reserve	Undistributed profits	Specific reserve		
Balance at 1 January 2016		4,778,204,000	5,510,182,348	(301,159,600)	287,004,088	77,670,166	2,309,642,411	2,897,083	883,454,549	13,547,895,045
Movement for the year ended 31 December 2016										
Total comprehensive income										
Net profit		—	—	—	—	—	2,186,153,537	—	112,938,659	2,299,092,196
Other comprehensive income	(31)	—	—	238,134,800	—	—	—	—	435,200	238,570,000
Total comprehensive income for the year		—	—	238,134,800	—	—	2,186,153,537	—	113,373,859	2,537,662,196
Capital contribution and withdrawal by shareholders										
Capital contribution by minority shareholders in subsidiaries		—	—	—	—	—	—	—	274,351,304	274,351,304
Business combination involving enterprises under common control	(30)	—	(198,015,888)	—	—	—	—	—	—	(198,015,888)
Profit distribution										
Appropriation to surplus reserves	(32)	—	—	—	142,855,369	—	(142,855,369)	—	—	—
Appropriation to general reserves	(33)	—	—	—	—	56,451,744	(56,451,744)	—	—	—
Profit distribution to shareholders	(34)	—	—	—	—	—	(664,552,612)	—	(24,313,063)	(688,865,675)
Specific reserve										
Appropriation to safety fund		—	—	—	—	—	—	45,082,884	340,342	45,423,226
Utilisation of safety fund		—	—	—	—	—	—	(44,988,336)	(372,155)	(45,360,491)
Recognised share of changes in other reserves of associates and joint ventures	(30)	—	9,468,906	—	—	—	—	—	—	9,468,906
Balance at 31 December 2016		<u>4,778,204,000</u>	<u>5,321,635,366</u>	<u>(63,024,800)</u>	<u>429,859,457</u>	<u>134,121,910</u>	<u>3,631,936,223</u>	<u>2,991,631</u>	<u>1,246,834,836</u>	<u>15,482,558,623</u>

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

Item	Note 6	Attributable to shareholders of the Company							Total equity	
		Share capital	Capital surplus	Other comprehensive income	Surplus reserve	General reserve	Undistributed profits	Specific reserve		Non-controlling interests
Balance at 1 January 2017		4,778,204,000	5,321,635,366	(63,024,800)	429,859,457	134,121,910	3,631,936,223	2,991,631	1,246,834,836	15,482,558,623
Movement for the year ended 31 December 2017										
Total comprehensive income										
Net profit		—	—	—	—	—	3,042,959,443	—	197,403,143	3,240,362,586
Other comprehensive income	(31)	—	—	346,890,300	—	—	—	—	519,700	347,410,000
Total comprehensive income for the year		—	—	346,890,300	—	—	3,042,959,443	—	197,922,843	3,587,772,586
Capital contribution and withdrawal by shareholders										
Additional issuance of domestic shares and foreign-listed H-shares	(30)	1,258,520,000	5,452,243,208	—	—	—	—	—	—	6,710,763,208
Capital contribution by minority shareholders in subsidiaries		—	—	—	—	—	—	—	110,900,000	110,900,000
Profit distribution										
Appropriation to surplus reserves	(32)	—	—	—	244,130,853	—	(244,130,853)	—	—	—
Appropriation to general reserves	(33)	—	—	—	—	92,237,961	(92,237,961)	—	—	—
Profit distribution to shareholders	(34)	—	—	—	—	—	(787,551,013)	—	(48,496,879)	(836,047,892)
Specific reserve										
Appropriation to safety fund		—	—	—	—	—	—	43,541,081	3,960,245	47,501,326
Utilisation of safety fund		—	—	—	—	—	—	(34,585,980)	(3,127,426)	(37,713,406)
Recognised share of changes in other reserves of associates and joint ventures	(30)	—	(3,078,055)	—	—	—	—	—	—	(3,078,055)
Balance at 31 December 2017		6,036,724,000	10,770,800,519	283,865,500	673,990,310	226,359,871	5,550,975,839	11,946,732	1,507,993,619	25,062,656,390

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 17	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits	Specific reserve	Total equity
Balance at 1 January 2016		4,778,204,000	9,240,964,135	(291,780,000)	287,004,088	1,636,833,839	—	15,651,226,062
Movement for the year ended 31 December 2016								
Total comprehensive income								
Net profit		—	—	—	—	1,428,553,689	—	1,428,553,689
Other comprehensive income	(34)	—	—	226,580,000	—	—	—	226,580,000
Total comprehensive income for the year		—	—	226,580,000	—	1,428,553,689	—	1,655,133,689
Profit distribution								
Appropriation to surplus reserves	(23)	—	—	—	142,855,369	(142,855,369)	—	—
Profit distribution to shareholders	(23)	—	—	—	—	(664,552,612)	—	(664,552,612)
Specific reserve								
Appropriation to safety fund		—	—	—	—	—	(39,695,734)	(39,695,734)
Utilisation of safety fund		—	—	—	—	—	39,695,734	39,695,734
Recognised share of changes in other reserves of associates and joint ventures	(22)	—	9,468,906	—	—	—	—	9,468,906
Balance at 31 December 2016		<u>4,778,204,000</u>	<u>9,250,433,041</u>	<u>(65,200,000)</u>	<u>429,859,457</u>	<u>2,257,979,547</u>	<u>—</u>	<u>16,651,276,045</u>

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

Item	Note 17 (Unless otherwise stated)	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits	Specific reserve	Total equity
Balance at 1 January 2017		<u>4,778,204,000</u>	<u>9,250,433,041</u>	<u>(65,200,000)</u>	<u>429,859,457</u>	<u>2,257,979,547</u>	—	<u>16,651,276,045</u>
Movement for the year ended 31 December 2017								
Total comprehensive income								
Net profit		—	—	—	—	2,441,308,526	—	2,441,308,526
Other comprehensive income	(34)	—	—	336,020,000	—	—	—	336,020,000
Total comprehensive income for the year		—	—	336,020,000	—	2,441,308,526	—	2,777,328,526
Capital contribution and withdrawal by shareholders								
Additional issuance of domestic shares and foreign-listed H-shares	6(30)	1,258,520,000	5,452,243,208	—	—	—	—	6,710,763,208
Profit distribution								
Appropriation to surplus reserves	(23)	—	—	—	244,130,853	(244,130,853)	—	—
Profit distribution to shareholders	(23)	—	—	—	—	(787,551,013)	—	(787,551,013)
Specific reserve								
Appropriation to safety fund		—	—	—	—	—	34,187,468	34,187,468
Utilisation of safety fund		—	—	—	—	—	(26,209,680)	(26,209,680)
Recognised share of changes in other reserves of associates and joint ventures	(22)	—	(3,078,055)	—	—	—	—	(3,078,055)
Balance at 31 December 2017		<u>6,036,724,000</u>	<u>14,699,598,194</u>	<u>270,820,000</u>	<u>673,990,310</u>	<u>3,667,606,207</u>	<u>7,977,788</u>	<u>25,356,716,499</u>

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

1 GENERAL INFORMATION

Qingdao Port International Co., Ltd. (“the Company” or “Qingdao Port International”) is a stock limited company incorporated in Qingdao City of Shandong Province of the People’s Republic of China (“the PRC”) on 15 November 2013 (the Company’s “Date of Incorporation”) by Qingdao Port (Group) Co., Ltd. (“Qingdao Port Group”) (“the Leading Promoter”) together with “Other Promoters” including Shenzhen Malai Storage Co., Ltd., Qingdao Ocean Shipping Co., Ltd., China Shipping Terminal Development Co., Ltd., Everbright (Qingdao) Financial Leasing Co., Ltd. and Qingdao International Investment Co., Ltd., with its registered address at 7 Ganghua Road, Shibei District, Qingdao and legal representative being Zheng Minghui. The parent company and the ultimate parent company of the Company are Qingdao Port Group. The total share capital of the Company at incorporation is 4,000,000,000 shares (par value at RMB 1). The shareholding of Qingdao Port Group and Other Promoters is 90.0%, 2.8%, 2.4%, 2.4%, 1.2% and 1.2%.

The Company issued 705,800,000 foreign-listed H-shares overseas at its Initial Public Offering on 6 June 2014 according to the “Official Reply on Approval of Overseas Issuance of Foreign Shares by Qingdao Port International Co., Ltd. (No. 434 Paper of China Securities Regulatory Commission)”. The offering price per share is HKD 3.76 (equivalent to RMB 2.98); and the share capital increased to RMB 4,705,800,000 after the initial public offering.

The Company exercised over-allotment option on 2 July 2014 and increased issuance of 72,404,000 foreign-listed H shares overseas. The issuance price per share is HKD 3.76 (equivalent to RMB 2.99), and the share capital increased to RMB 4,778,204,000 after the exercising of over-allotment option.

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

The Company completed placement of 243,000,000 new H shares on 18 May 2017 with the issue price of HKD 4.32 per H Share (equivalent to RMB 3.81). The share capital of the Company increased to 5,021,204,000 shares as a result of the issuance.

The Company completed proposed subscription of 1,015,520,000 domestic shares to Shanghai China Shipping Terminal Development Co., Ltd. (“Shanghai China Shipping Terminal”) on 22 May 2017; the subscription price per share was RMB 5.71. After the completion of the Placing and Proposed Subscription, the registered capital of the Company has been increased to 6,036,724,000 shares.

As at 31 December 2017, the total share capital of the Company was 6,036,724,000 shares with par value at RMB 1, including 4,937,699,000 domestic shares and 1,099,025,000 H shares, accounting for 81.8% and 18.2% respectively of the total share capital. As at 31 December 2017, Qingdao Port Group held 58.45% shares of the Company.

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

These financial statements are authorised for issue by the Board of Directors on 19 March 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

2 BASIS OF PREPARATION

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

The financial statements are prepared on a going concern basis.

The New Hong Kong Companies Ordinance took effect from 2016 and certain disclosures in the financial statements have been adjusted in accordance with requirements therein.

(1) Preparation basis of consolidated financial statements

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

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

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

At preparation of the Company's financial statements, the assets and liabilities contributed to the Company by of Qingdao Port Group are recognised in the Company's balance sheet based on the appraisal values approved by the competent state-owned assets management authorities.

3 STATEMENT OF COMPLIANCE WITH THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements of the Company for the year ended 31 December 2017 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the Consolidated and the Company's financial position as at 31 December 2017 and their financial performance, cash flows and other information for the year then ended.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The key judgments used by the Group in determining significant accounting policies are shown in note 4 (30).

(1) Accounting year

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

(2) Recording currency

The Group's recording currency is Renminbi (RMB). The financial statements are presented in RMB.

(3) Business combinations

(a) Business combinations involving enterprises under common control

The consideration paid and net assets acquired by the absorbing party in a business combination are measured at the carrying amount. If the acquiree was acquired from the third party by the ultimate controlling party in previous years, it shall be based on the carrying amount of the assets and liabilities of the acquiree (including the goodwill formed by the acquisition of the acquiree by the ultimate controlling party) in the consolidated financial statements of the ultimate controlling party. The difference between the carrying amount of the net assets acquired from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (capital premium). If the capital surplus (capital premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(b) Business combinations involving enterprises not under common control

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(4) Preparation of consolidated financial statements

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

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

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

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

If the accounting treatment of a transaction is inconsistent in the financial statements at the Group level and at the Company or its subsidiary level, adjustment will be made from the perspective of the Group.

(5) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(6) Foreign currency translation

(a) Foreign currency transactions

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

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

(b) Translation of foreign currency financial statements

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(7) Financial instruments

(a) Financial assets

(i) *Classification of financial assets*

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for the purpose of selling in the short term.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Available-for-sale financial assets

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

Held-to-maturity investments

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(7) Financial instruments (Continued)

(a) Financial assets (Continued)

(ii) Recognition and measurement

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(7) Financial instruments (Continued)

(a) Financial assets (Continued)

(iii) Impairment of financial assets

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(7) Financial instruments (Continued)

(a) Financial assets (Continued)

(iv) Derecognition of financial assets

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

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

(b) Financial liabilities

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

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

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

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

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

(c) Determination of fair value of financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(8) Receivables

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

(a) Receivables with amounts that are individually significant and subject to separate provision for bad debts

Receivables with amounts that are individually significant are subject to separate assessment for impairment. If there exists objective evidence that the Group will not be able to collect the amount under the original terms, a provision for impairment of that receivable is made.

The criterion for determining “individually significant” amounts is that any individual amount is more than RMB 10,000,000.

Basis for determining provision for amounts that are individually significant and subject to separate provision for bad debts is determined based on the amount of the present value of the future cash flows expected to be derived from the receivable below its carrying amount.

(b) Receivables that are subject to provision for bad debts on the grouping basis

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

The Group has changed the accounting estimates on provision for bad debts of receivables since 1 December 2017. Before such changes in accounting estimates, for receivables that are subject to provision for bad debts on a grouping basis, basis for grouping is as follows:

Group A	Receivables from related parties other than loans of Qingdao Finance
Group B	Deposit, guarantee and reserve funds, etc.
Group C	Loans of Qingdao Finance
Group D	All other remaining receivables

NOTES TO THE FINANCIAL STATEMENTS

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(8) Receivables (Continued)

(b) Receivables that are subject to provision for bad debts on the grouping basis (Continued)

Methods of provision for bad debts by groupings are as follows:

Group A	The percentage of general provision is 0% due to low historical loss ratio and assessed credit risk. If there exists objective evidence that the Group will not be able to collect the amount under the original terms, a provision is made at the difference between its carrying amount and the present value of estimated future cash flows.
Group B	Low historical loss ratio and assessed credit risk with provision at 0%
Group C	Provision for bad debts with the management methodology of five classification
Group D	Ageing analysis method

The proportion of bad debt provision under the ageing analysis method for the above groupings are as follows:

	Proportion of provision for accounts receivable	Proportion of provision for other receivables
Within 1 year	0%	0%
1 to 2 years	5%	5%
2 to 3 years	30%	30%
3 to 4 years	50%	50%
4 to 5 years	80%	80%
Over 5 years	100%	100%

After changes in accounting estimates, for receivables that are subject to provision for bad debts on a grouping basis, basis for grouping is as follows:

Group A	Receivables from related parties in the consolidation scope
Group B	Loans
Group C	All other remaining receivables

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(8) Receivables (Continued)

(b) Receivables that are subject to provision for bad debts on the grouping basis (Continued)

Methods of provision for bad debts by groupings are as follows:

Group A	The percentage of general provision is 0% because the historical loss ratio and assessed credit risk are very low, and financial control can be implemented and risks can be monitored at any time. If there exists objective evidence that the Group will not be able to collect the amount under the original terms, a provision is made at the difference between its carrying amount and the present value of estimated future cash flows.
Group B	Provision for bad debts with the management methodology of five classification
Group C	Ageing analysis method

The provision ratios used under the ageing analysis method for the above groupings are as follows:

	Proportion of provision for accounts receivable	Proportion of provision for other receivables
Within 1 year	5%	5%
1 to 2 years	10%	10%
2 to 3 years	30%	30%
3 to 4 years	50%	50%
4 to 5 years	80%	80%
Over 5 years	100%	100%

(c) Receivables with amounts that are not individually significant but subject to separate provision for bad debts:

The reason for making separate provision for bad debts is that there exists objective evidence that the Group will not be able to collect the amount under the original terms of the receivable.

The provision for bad debts is determined based on the amount of the present value of the future cash flows expected to be derived from the receivable below its carrying amount.

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

NOTES TO THE FINANCIAL STATEMENTS

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(All amounts in RMB Yuan unless otherwise stated)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(9) Inventories

(a) Classification

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

(b) Costing of inventories

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

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

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

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

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

(d) The Group adopts the perpetual inventory system.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(10) Long-term equity investments

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

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

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

(a) Determination of investment cost

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(10) Long-term equity investments (Continued)

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

For long-term equity investments accounted for using the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group does not recognise further losses when the carrying amounts of the long-term equity investment together with any long-term interests that, in substance, form part of the Group's net investment in investees are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions are satisfied, the Group continues recognising the investment losses and the provisions at the amount it expects to undertake. The Group's share of the changes in investee's owner's equity other than those arising from the net profit or loss, other comprehensive income and profit distribution is recognised in capital surplus with a corresponding adjustment to the carrying amounts of the long-term equity investment. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by the investees. Unrealised gains or losses on transactions between the Group and its investees are eliminated to the extent of the Group's equity interests in the investees, based on which the investment income or losses are recognised. Any losses resulting from transactions between the Group and its investees, which are attributable to asset impairment losses are not eliminated.

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

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

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

Joint control is the contractually agreed sharing of control over an arrangement, and the decision of activities relating to such arrangement requires the unanimous consent of the Group and other parties sharing control.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(10) Long-term equity investments (Continued)

(d) Impairment of long-term equity investments

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

(11) Investment properties

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

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

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

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

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

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

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

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For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(12) Fixed assets

(a) Recognition and initial measurement of fixed assets

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

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

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

(b) Depreciation methods of fixed assets

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

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

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

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

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

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For the year ended 31 December 2017
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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(12) Fixed assets (Continued)

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

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

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

(e) Disposal of fixed assets

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

(13) Construction in progress

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

NOTES TO THE FINANCIAL STATEMENTS

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(14) Intangible assets

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

(a) Land use rights

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

(b) Sea area use rights

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

(c) Computer software

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

(d) Periodical review of useful life and amortisation method

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

(e) Impairment of intangible assets

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(15) Goodwill

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

(16) Long-term prepaid expenses

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

(17) Impairment of long-term assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(18) Borrowing costs

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

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

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

(19) Borrowings

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

NOTES TO THE FINANCIAL STATEMENTS

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(20) Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship, which include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

(a) Short-term employee benefits

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

(b) Post-employment benefits

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

Basic pensions

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(20) Employee benefits (Continued)

(b) Post-employment benefits (Continued)

Corporate annuity

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

Supplemental retirement benefits

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

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

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

(c) Termination benefits

The Group provides compensation for terminating the employment relationship with employees before the end of the employment contracts or as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Group recognises a liability arising from compensation for termination of the employment relationship with employees, with a corresponding charge to profit or loss for the current period at the earlier of the following dates: 1) when the Group cannot unilaterally withdraw an employment termination plan or a curtailment proposal; 2) when the Group recognises costs or expenses for a restructuring that involves the payment of termination benefits.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(20) Employee benefits (Continued)

(c) Termination benefits (Continued)

Early retirement benefits

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

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

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

(21) Dividends distribution

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(22) Provisions

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

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

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

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

(23) Revenue recognition

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

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

(a) Rendering of services

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

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(23) Revenue recognition (Continued)

(b) Construction contracts

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

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

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

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

(c) Sales of goods

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

NOTES TO THE FINANCIAL STATEMENTS

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(24) Government grants

Government grants refer to the monetary or non-monetary assets acquired by the Group from the government, including tax return, and financial subsidy, etc.

Government grants are recognised when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to government grants which are acquired by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the asset. Government grants measured at its nominal amount are recognised in profit or loss, expenses or losses directly in current period.

Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognised in profit or loss, expenses or losses in reporting the related expenses; government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss, expenses or losses directly in current period.

In 2017, the Ministry of Finance released the revised Accounting Standards for Business Enterprises No. 16—Government Grants. The financial statements are prepared in accordance with the above standards and circular since 2017, and impacts are as follows: Government grants related to assets is recorded as deferred income and recognised in profit or loss on a systemic basis over the useful lives of the assets. Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognised in profit or loss; government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss, expenses or losses in current period. The Group applies the presentation method consistently to the similar government grants in the financial statements. Government grants that are related to ordinary activities are included in operating profit, otherwise, they are recorded in non-operating income or expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(25) Deferred tax assets and deferred tax liabilities

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

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

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

Deferred tax assets and liabilities are offset when:

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

NOTES TO THE FINANCIAL STATEMENTS

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(26) Leases

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

(a) Operating leases

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

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

(b) Finance leases

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

(27) Held for sale and discontinued operations

A non-current asset or a disposal group is classified as held for sale when all of the following conditions are satisfied: (1) the asset or the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group; (2) the Group has entered a legally enforceable sales agreement with other party and obtained relevant approval, and the sales transaction is expected to be completed within one year.

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

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

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

The net profit from discontinued operations in the income statement includes operating profit or loss and disposal gains or losses of discontinued operations.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(28) Custodian business

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

(29) Segment information

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

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

(30) Critical accounting estimates and judgements

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(30) Critical accounting estimates and judgements (Continued)

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

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

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

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

(d) Estimate on provision for bad debts of receivables

Taking into account the debtor's financial condition, historical recovery, the current market condition of the debtor's industry and the aging of the accounts receivable, the Group has made judgement on the basis for separate provision for bad debts, the determination of receivables on the grouping basis with similar credit risk characteristics and the proportion of bad debts using ageing analysis method. The Group regularly reviews the adequacy of provision for bad debts of receivables. If there is any change on assumption and estimate, revisions to the provisions of receivables would be required.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(30) Critical accounting estimates and judgements (Continued)

(e) Estimate on fair value evaluation and allocation of Qingdao Qianwan Container Terminal Co., Ltd. (“QQCT”) equity interests

Management has assessed the fair value of the equity interest in QQCT on the acquisition date (22 May 2017) and allocated the fair value among assets with the help of an independent valuer, in order to provide the basis for the initial recognition for the newly-acquired 20% equity interest in QQCT. The equity fair value evaluation involved the selection of the value type, the determination of evaluation method and evaluation parameters such as discount rate, and the assumption of the operating and financial performance of QQCT for the coming several years. Fair value allocation involves the recognition of identifiable intangible assets, evaluation method of tangible assets and judgements over the reasonableness of key evaluation parameters. Although management are of the view that these assumptions are reasonable, actual experience value and assumptions change may affect the Group’s original book value of this newly-added 20% equity interest in QQCT and the subsequent results according to the equity method accounting.

(31) Significant changes in accounting policies

In 2017, the Ministry of Finance released the Accounting Standards for Business Enterprises No. 42—Non-current Assets or Disposal Groups Held for Sale and Discontinued Operations, revised Accounting Standard For Business Enterprises No. 16—Government Grants and the Circular on Amendment to Formats of Financial Statements of General Industry and its interpretation (Cai Kuai [2017] No. 30). The financial statements are prepared in accordance with the above standards and circular, and impacts are as follows:

The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected
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The Group recorded the government grants incurred in 2017, which were related to daily activities, in other income. The comparatives in 2016 were not restated.	Not applicable	Not applicable
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		2016	
		Consolidated	Company
The Group recorded the gains or losses on disposals of fixed assets and intangible assets, occurred in 2017, in gains on disposals of assets. The comparative financial statements in 2016 were restated accordingly.	Gains on disposals of assets	9,175,119	4,980,133
	Non-operating income	(14,887,850)	(5,285,883)
	Non-operating expenses	5,712,731	305,750

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(32) Significant changes in accounting estimates

The Group, based on current market conditions and management's practice, referring to the information from the same industry on a comparable basis, has changed the accounting estimates on provision for bad debts of receivables since 1 December 2017. Pursuant to the resolution of the eleventh conference at the second board meeting dated on 2 March, 2018. Except for the changes of accounting estimates on provision for bad debts of receivables, judgments and assumptions that the Group has made in accounting estimates are consistent with the judgments and assumptions of the accounting estimates made in the preparation of the financial statements for the year ended 31 December 2016.

The accounting estimates of the basis for grouping, the method of provision for bad debts and the provision ratios for bad debts used under the ageing analysis before and after the changes please refer to Note 4(8).

Changes in accounting estimates result in a decrease of RMB 177,715,709 in the total profit and a decrease of RMB 133,286,782 in net profit of the Group for the year ended 31 December 2017. It result in a decrease of RMB 109,524,959 in the total profit and a decrease of RMB 82,143,719 in net profit of the Company for the year ended 31 December 2017.

Line items and amounts affected by the change of accounting estimates

	31 December 2017	
	Consolidated	Company
Accounts receivable	(98,381,888)	(43,648,022)
Other receivables	(29,458,821)	(16,001,937)
Long-term receivables	(49,875,000)	(49,875,000)
Deferred tax assets	44,428,927	27,381,240
Total assets	(133,286,782)	(82,143,719)
Net assets	(133,286,782)	(82,143,719)
	2017	
	Consolidated	Company
Asset impairment losses	177,715,709	109,524,959
Total profit	(177,715,709)	(109,524,959)
Income tax expenses	44,428,927	27,381,240
Net profit	(133,286,782)	(82,143,719)

The Group might not be able to reasonably expect the increase of receivables and distribution of aging in the future, the amount of the impact of the changes in accounting estimates on the future can not be reasonably expected.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

5 TAXATION

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

Category	Tax base	Tax rate
Enterprise income tax	Taxable income	15%, 20% and 25%
Value added tax ("VAT") (a)	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible input VAT of the current period)	6%, 11%, 13% and 17%
Business tax (b)	Taxable revenue amount	3% and 5%
Land use tax	Taxable turnover amount	3% and 5%
City maintenance and construction tax	Actual size of the land occupied	RMB 3.5 to 13 per square meter per year
Educational surcharge	VAT and business tax paid	7%
	VAT and business tax paid	3%

(a) VAT

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

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

Pursuant to Cai Shui [2014] No.57, as from 1 July 2014, revenue from re-sales of movable property like loading equipment and machinery bought before 31 December 2008, whose input VAT has not been deducted is subject to 3% VAT rate but is actually levied at 2%.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

5 TAXATION

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

(Continued)

(b) Business tax

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

The Group leased out land use rights, terminal facilities, storage facilities and other assets in Qianwan Port Area to related parties including QQCT, and has received the rental payments in full and paid business tax. The business tax prepaid is recorded into other non-current assets, and carried forward to taxes and surcharges based on leasing income recognised in every period.

(2) Tax preference

Enterprise income tax

In 2017, the Company's subsidiary Qingdao Port Engineering Design Institute Co., Ltd. ("Port Engineering Design Institute"), was qualified as a small low-profit enterprise with the annual taxable income less than RMB 200,000 (inclusive), and 50% of its income was recognised as taxable income and the enterprise income tax was paid at a rate of 20%.

In 2016, the Company's subsidiary Qingdao Port Passenger Terminal Duty Free Merchandise Co., Ltd. ("Duty-free Merchandise") and Qingdao Port International Travel Agency Co., Ltd. ("Qingdao Port Travel Agency") were qualified as a small low-profit enterprise with the annual taxable income less than RMB 200,000 (inclusive), and 50% of its income was recognised as taxable income and the enterprise income tax was paid at a rate of 20%.

In 2016, the Company's subsidiary Qingdao Port Technology Co., Ltd. ("Technology Company") received the Certificate of High-tech Enterprises (Certificate No. GR201637100265) jointly issued by Qingdao Municipal Science and Technology Bureau, Qingdao Municipal Finance Bureau, Provincial Office (Qingdao), SAT and Qingdao Local Taxation Bureau. The certificate is valid for 3 years. Under the relevant provisions of Article 28 of Law of the People's Republic of China on Enterprise Income Tax, the income tax rate applicable to Technology Company for the year ended 31 December 2016 and 31 December 2017 is 15%.

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

Land use tax

In 2017 and 2016, according to Cai Shui [2015] No.98, Cai Shui [2017] No.33, the Group's warehouse land for bulk commodities is subject to 50% tax reduction of land use tax.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	31 December 2017	31 December 2016
Cash on hand	95,372	18,004
Cash at bank	10,574,797,660	7,348,952,238
Other cash balances	1,130,283,331	751,324,189
	<u>11,705,176,363</u>	<u>8,100,294,431</u>

As at 31 December 2017, other cash balances comprised of deposit reserves in the People's Bank of China by Qingdao Finance amounted to RMB 743,301,422 (31 December 2016: RMB 739,658,005) according to relevant regulations, deposits for the issuance of bank acceptance notes amounted to RMB 15,452,829 (31 December 2016: RMB 8,105,300), and deposits for foreign exchange trading amounted to RMB 367,840,839 (31 December 2016: Nil), and deposits for the issuance of letter of credit amounted to RMB 3,010,801 (31 December 2016: RMB 3,560,884), and deposits for the issuance of letter of guarantee amounted to RMB 677,440 (31 December 2016: Nil).

(2) Notes receivable

	31 December 2017	31 December 2016
Bank acceptance notes	500,421,414	375,239,261
Trade acceptance notes	91,389,566	290,180,658
	<u>591,810,980</u>	<u>665,419,919</u>

As at 31 December 2017, trade acceptance notes of the Group with a value of RMB 13,000,000 have been pledged as the security for new issuance of bank acceptance notes of the same amount, meanwhile, bank acceptance notes with a value of RMB 3,000,000 have been pledged to bank, and the Group is in the progress of applying of issuance of acceptance notes. (31 December 2016: the bank acceptance notes of RMB 66,244,274 was pledged to bank as collateral for the Group to apply for issuance of bank acceptance notes of the same amount) (Note 6(18)).

As at 31 December 2017, no unmatured trade acceptance notes with recourse was included in notes receivable (31 December 2016: unmatured trade acceptance notes with recourse of RMB 178,580,938 was discounted. The Group recognises the received discounted amount as short-term borrowings) (Note 6(17)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Accounts receivable and other receivables

(a) Accounts receivable

	31 December 2017	31 December 2016
Accounts receivable	1,992,932,936	1,394,218,334
Less: Provision for bad debts	(119,568,049)	(86,607,390)
	<u>1,873,364,887</u>	<u>1,307,610,944</u>

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

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

	31 December 2017			31 December 2016		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	1,867,543,937	93.71%	(93,377,196)	1,341,049,190	96.18%	(63,670,000)
1 to 2 years	100,093,827	5.02%	(10,009,383)	26,373,584	1.89%	(3,741,964)
2 to 3 years	9,318,960	0.47%	(3,720,258)	17,645,193	1.27%	(10,133,713)
3 to 4 years	7,030,000	0.35%	(3,515,000)	—	—	—
4 to 5 years	—	—	—	526,655	0.04%	(438,000)
Over 5 years	8,946,212	0.45%	(8,946,212)	8,623,712	0.62%	(8,623,713)
	<u>1,992,932,936</u>	<u>100.00%</u>	<u>(119,568,049)</u>	<u>1,394,218,334</u>	<u>100.00%</u>	<u>(86,607,390)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Accounts receivable and other receivables (Continued)

(a) Accounts receivable (Continued)

As at 31 December 2017, accounts receivable of RMB 433,809,075 (31 December 2016: RMB 400,645,704) were overdue, however, based on the analysis of the customers' financial status and credit record, the Group expected that the overdue amounts can be recovered, and the accounts receivable are not impaired, thus no provisions for bad debts were individually provided. The past-due ageing of these accounts receivable is analysed as follows:

	31 December 2017	31 December 2016
Within 1 year	309,740,890	356,307,374
1 to 2 years	100,093,827	25,052,770
2 to 3 years	7,998,146	10,135,193
3 to 4 years	7,030,000	—
4 to 5 years	—	526,655
Over 5 years	8,946,212	8,623,712
	<u>433,809,075</u>	<u>400,645,704</u>

Accounts receivable are analysed by customers categories as follows:

	31 December 2017			31 December 2016		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Related parties	1,012,494,121	50.80%	(51,594,011)	260,113,280	18.66%	—
Third parties	980,438,815	49.20%	(67,974,038)	1,134,105,054	81.34%	(86,607,390)
	<u>1,992,932,936</u>	<u>100.00%</u>	<u>(119,568,049)</u>	<u>1,394,218,334</u>	<u>100.00%</u>	<u>(86,607,390)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Accounts receivable and other receivables (Continued)

(b) Other receivables

	31 December 2017	31 December 2016
Loans provided to related parties and third parties (i)	492,600,680	302,212,076
Receivables of agent procurement (ii)	235,969,537	137,918,064
Receivables of assets transfer (iii)	220,029,917	6,284,006
Receivables of port construction fees (iv)	76,800,270	62,592,722
Deposits and guarantees	19,831,343	45,786,153
Receivables of agent construction project expenditures	5,273,591	196,841,038
Payment for government bonds of reverse repo agreements	—	80,410,517
Others	31,863,122	42,479,345
	1,082,368,460	874,523,921
Less: Provision for bad debts	(52,642,907)	(13,183,652)
	1,029,725,553	861,340,269

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Accounts receivable and other receivables (Continued)

(b) Other receivables (Continued)

- (i) Loans provided for related parties and third parties were the short term entrusted loans provided by the Company and short term loans provided by the Company's subsidiary Qingdao Finance.
- (ii) Receivables of agent procurement are paid by the Group on behalf of clients for agent purchase of goods. As at 31 December 2017, factoring borrowings of RMB 7,980,000 acquired by the same amount of receivables of agent procurement under recourse factoring, which is not be derecognised.
- (iii) As at 31 December 2017, receivables of asset transfer mainly derive from the transfer of terminal asset to Qingdao Port Dongjiakou Ore Terminal Co., Ltd. ("QDOT") by the Group.
- (iv) Port construction fees receivable represents receivable from customers collected on behalf in accordance with the Administrative Measures for the Collection and Use of Port Construction Fees jointly issued by the Ministry of Finance and the Ministry of Transport.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Accounts receivable and other receivables (Continued)

(b) Other receivables (Continued)

Aging of other receivables and related provision for bad debts are analysed as follows:

	31 December 2017			31 December 2016		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	1,056,997,944	97.66%	(38,728,790)	852,282,997	97.45%	(2,814,505)
1 to 2 years	6,034,142	0.56%	(603,414)	9,088,546	1.04%	(21,407)
2 to 3 years	7,997,962	0.74%	(2,399,389)	12,730,071	1.46%	(10,347,740)
3 to 4 years	11,101,349	1.03%	(10,721,064)	399,307	0.05%	—
4 to 5 years	234,063	0.02%	(187,250)	3,000	0.00%	—
Over 5 years	3,000	0.00%	(3,000)	20,000	0.00%	—
	1,082,368,460	100.00%	(52,642,907)	874,523,921	100.00%	(13,183,652)

As at 31 December 2017, provision for bad debts comprised of provision of loan losses of RMB 10,508,927 based on customer credit rating made by the Company and the Company's subsidiary Qingdao Finance (31 December 2016: RMB 2,814,505).

As at 31 December 2017, other receivables with ageing over one year were RMB 25,370,516 (31 December 2016: RMB 22,240,924). Based on analysis on customer financial condition and past credit record, the Group made provision for bad debts at RMB 13,914,117 (31 December 2016: RMB 10,369,147). The remaining receivable is considered recoverable and not impaired, thus no provision for bad debts are individually made.

(4) Advances to suppliers

The ageing of advances to suppliers is analysed as follows:

	31 December 2017		31 December 2016	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	79,591,581	100.00%	55,469,780	93.95%
1 to 2 years	—	—	1,795,831	3.04%
2 to 3 years	—	—	—	—
3 to 4 years	—	—	1,778,327	3.01%
	79,591,581	100.00%	59,043,938	100.00%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) Inventories

(a) Inventories by categories are listed as follows:

	31 December 2017			31 December 2016		
	Ending balance	Provision for decline in the value of inventories	Carrying amount	Ending balance	Provision for decline in the value of inventories	Carrying amount
Amount due from customers for construction contract (i)	451,715,248	—	451,715,248	399,026,059	—	399,026,059
Materials and finished goods	45,603,331	—	45,603,331	59,989,731	—	59,989,731
Spare parts	4,573,419	—	4,573,419	5,850,961	—	5,850,961
Fuel	4,876,866	—	4,876,866	4,051,352	—	4,051,352
Others	18,624,414	—	18,624,414	13,276,951	—	13,276,951
	525,393,278	—	525,393,278	482,195,054	—	482,195,054

(i) Amount due from customers for construction contract

	31 December 2017	31 December 2016
Accumulated cost recognised	2,491,177,569	2,563,173,443
Add: Accumulated gross profits recognised	276,772,035	198,908,389
Less: Accumulated amounts settled	(2,316,234,356)	(2,363,055,773)
	451,715,248	399,026,059

(b) The movements of inventories for the year are as follows:

	31 December 2016	Increase in current year	Decrease in current year	31 December 2017
Amount due from customers for construction contract	399,026,059	1,096,031,146	(1,043,341,957)	451,715,248
Materials and finished goods	59,989,731	828,603,059	(842,989,459)	45,603,331
Spare parts	5,850,961	21,437,405	(22,714,947)	4,573,419
Fuel	4,051,352	295,344,678	(294,519,164)	4,876,866
Others	13,276,951	92,018,736	(86,671,273)	18,624,414
	482,195,054	2,333,435,024	(2,290,236,800)	525,393,278

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(6) Other current assets

	31 December 2017	31 December 2016
Available-for-sale financial assets (Note 6(7))	639,000,000	870,000,000
Input VAT to be deducted	394,843,059	282,847,206
Input VAT to be verified	2,316,042	34,716,158
Prepaid VAT	—	9,851,578
	<u>1,036,159,101</u>	<u>1,197,414,942</u>

(7) Available-for-sale financial assets

	31 December 2017	31 December 2016
Measured at cost		
- Available-for-sale equity instruments (i)	<u>72,207,877</u>	<u>72,207,877</u>
Measured at fair value		
- Wealth management products (ii)	750,357,788	890,000,000
Less: Available-for-sale financial assets included in other current assets (Note 6(6))	<u>(639,000,000)</u>	<u>(870,000,000)</u>
	<u>183,565,665</u>	<u>92,207,877</u>

- (i) Available-for-sale equity instruments measured at cost represents unlisted equity investments held by the Group in Shandong Binhai Hongrun Pipeline Logistics Co., Ltd., Sinopec Qingdao Liquefied Natural Gas Co., Ltd. and Sanya Yalong Bay Development Co., Ltd. with shareholding of 10%, 1% and 0.06% respectively, over which the Group has no control, joint control or significant influence. These investments are not quoted in an active market and their fair value cannot be reliably measured as the reasonable estimates of fair value vary in a broad range and probabilities used to determine the reasonable estimates of fair value cannot be fairly determined. The Group has no plan to dispose these investments. In 2017, the Company has received the cash dividend from Sanya Yalong Bay Development Co., Ltd. of RMB 58,500 (2016: RMB 58,500).
- (ii) Available-for-sale financial assets measured at fair value are wealth management products issued by state-owned banks and other financial institutes purchased by the Group, in which wealth management products to be matured within one year are included in other current assets. As at 31 December 2017 and 31 December 2016, the carrying amount approximated the fair value. The fair values are based on cash flow discounted using the expected return and are within level 3 of the fair value hierarchy.

As at 31 December 2017, the maximum exposure to credit risk of the wealth management products classified as available-for-sale financial assets was the carrying value.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(8) Long-term receivables

	31 December 2017	31 December 2016
Loans provided to related parties (i)	4,817,814,184	3,822,653,667
Less: Loans due within one year	(326,912,828)	(308,433,660)
Others	3,120,653	3,454,309
	4,494,022,009	3,517,674,316
Provision for impairment of loans	(106,420,355)	(39,558,224)
Less: Loan impairment provision due within one year	8,072,821	6,417,900
	(98,347,534)	(33,140,324)
	4,395,674,475	3,484,533,992

(i) Loans provided to related parties were long-term entrusted loans provided to related parties by the Company, long-term loans provided to related parties by the Company's subsidiaries Qingdao Finance and long-term pledged loans in the form of finance lease provided to related parties by the Company's previous subsidiary, Qingdao Port International Financial Leasing Co., Ltd. ("Qingdao Leasing"). Loans that would be recoverable within one year and the associated provision for loan impairment was presented as the current portion of non-current assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9) Long-term equity investments

	31 December 2017	31 December 2016
Joint ventures (a)	8,366,289,753	5,043,014,093
Associates (b)	171,951,976	96,025,707
	<u>8,538,241,729</u>	<u>5,139,039,800</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9) Long-term equity investments (Continued)

(a) Joint ventures

Investments in joint ventures are set out below:

	31 December 2016	Movements in current year					31 December 2017
		Increase/ Decrease in investment	Share of net profit/(loss) under equity method	Share of other changes in equity	Cash dividends/ profit declared	Intra-group unrealised profit	
QQCT(i)	1,962,402,552	3,198,650,840	717,373,116	(3,829,259)	(617,988,773)	(10,426,521)	5,246,181,955
Qingdao Shihua Crude Oil Terminal Co., Ltd. ("Qingdao Shihua")	1,301,393,915	—	269,448,200	—	(240,000,000)	7,875,297	1,338,717,412
Qingdao Qianwan West Port United Terminal Co., Ltd. ("West United")	333,514,519	—	21,489,132	—	—	(1,447,366)	353,556,285
Weihai Qingwei Container Terminal Co., Ltd. ("Qingwei Container")	124,126,292	—	21,397,361	—	—	—	145,523,653
Vopak Logistics (Qingdao) Co., Ltd. ("Vopak Logistics") (ii)	143,859,420	(143,837,384)	(22,036)	—	—	—	—
Qingdao Evergreen Container Storage & Transportation Co., Ltd. ("Evergreen Container")	46,883,833	—	20,413,562	305,157	(18,688,022)	—	48,914,530
Qingdao Orient International Container Storage and Transportation Co., Ltd. ("Orient Container")	37,729,321	—	7,670,278	—	(7,463,017)	—	37,936,582
Qingdao Haiwan Liquid Chemical Port Operation Co., Ltd. ("Haiwan Liquid Chemical")	145,008,179	—	(2,477,381)	—	—	—	142,530,798
Qingdao Ganghai International Logistics Co., Ltd. ("Ganghai Logistics")	13,811,148	—	9,171,640	—	—	—	22,982,788
Qingdao Shenzhouxing International Cargo Agency Co., Ltd. ("Shenzhouxing Cargo Agency")	17,918,079	—	12,995,177	—	(11,624,344)	—	19,288,912
China Shipping Agency (Qingdao) Co., Ltd. ("China Shipping Agency")	10,556,789	—	1,388,153	—	—	—	11,944,942
Qingdao United International Shipping Agency Co., Ltd. ("United Shipping Agency")	39,310,878	—	11,574,737	—	(11,851,212)	—	39,034,403

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9) Long-term equity investments (Continued)

(a) Joint ventures (Continued)

	31 December 2016	Movements in current year					31 December 2017
		Increase/ Decrease in investment	Share of net profit/(loss) under equity method	Share of other changes in equity	Cash dividends/ profit declared	Intra-group unrealised profit	
Huaneng Qingdao Port Operation Co., Ltd. ("Huaneng Qingdao")	172,974,921	—	(17,261,979)	—	—	—	155,712,942
Qingdao Port Dongjiakou IMC Logistics Co., Ltd. ("Dongjiakou IMC Logistics") (iii)	151,547,632	(117,129,660)	30,158,569	—	(7,973,732)	—	56,602,809
QDOT (iv)	462,022,894	180,000,000	27,191,318	2,118	—	(10,057,028)	659,159,302
Qingdao Port Express Logistics (Linyi) Co., Ltd. ("Linyi Express")	3,857,468	—	157,860	—	—	—	4,015,328
Henan Yuqing International Logistics Co., Ltd. ("Henan Yuqing")	2,489,520	—	(37,232)	—	—	—	2,452,288
Sinotrans Qingdao Port Dongjiakou Logistics Co., Ltd. ("Dongjiakou Sinotrans Logistics")	48,830,228	—	321,906	—	—	—	49,152,134
Qingdao Port Yantai Logistics Co., Ltd. ("Yantai Logistics")	15,290,768	—	(2,266,784)	—	—	—	13,023,984
Binzhou Port QDP International Terminal Co., Ltd. ("Binzhou Port QDP International Terminal")	2,349,905	—	6,084,599	443,929	—	—	8,878,433
Qingdao Port Lianrong Logistics Co., Ltd. (Lianrong Logistics)	7,135,832	—	3,544,441	—	—	—	10,680,273
	<u>5,043,014,093</u>	<u>3,117,683,796</u>	<u>1,138,314,637</u>	<u>(3,078,055)</u>	<u>(915,589,100)</u>	<u>(14,055,618)</u>	<u>8,366,289,753</u>

- (i) As stated in Note 1, the Company has issued 1,015,520,000 domestic shares to Shanghai China Shipping Terminal on 22 May 2017 at the subscription price of RMB 5.71 per share and the total subscription amounted to RMB 5,798,619,200. Shanghai China Shipping Terminal paid in cash of RMB 2,599,968,360 and 20% of its equity interests of QQCT evaluating as RMB 3,198,650,840. Upon completion of the transaction, the Company holds 51% equity interests of QQCT. In accordance with the Articles of Association of QQCT, the board of directors is the highest authority. QQCT has 11 directors, of which 6 are sent by the Company. In accordance with the Articles of Association of QQCT, its significant financial and operating decisions should be passed at the Meeting of Board of Directors by at least 10 out of 11 directors. The Company still cannot unilaterally implement control over QQCT, so QQCT is still accounted for as a joint venture.
- (ii) On 5 May 2017, the Company contributed RMB 152,027,521 to acquire 50% equity interests of Vopak Terminal DJK B.V. held in Vopak Logistics, which constitutes a business combination not under common control. For details, please refer to Note 7(1).
- (iii) Pursuant to the resolution of the Board of Directors of Dongjiakou IMC Logistics on 15 August 2017, the registered capital of the Company has changed from USD 45,000,000 to RMB 50,000,000, and Dongjiakou IMC Logistics refunded shareholders' contributions in proportion of their equity interests while the refunded contributions to the Company was RMB 117,129,660. In December 2017, the Company has received the refund.
- (iv) Pursuant to the resolution of the Board of Directors of QDOT, the registered capital of QDOT has increased from RMB 1,400,000,000 to RMB 2,000,000,000 while shareholders increase contributions in proportion of their original shareholdings. The Company made additional contributions of RMB 180,000,000.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9) Long-term equity investments (Continued)

(b) Associates

Investments in associates are set out below:

	31 December 2016	Movements in current year			31 December 2017
		Increase in investment	Share of net profit/(loss) under equity method	Cash dividends/ profit declared	
Qingdao Ganghua Logistics Co., Ltd. ("Ganghua Logistics")	6,025,707	—	1,442,165	(1,125,301)	6,342,571
Qingdao Qingyin Financial Leasing Co., Ltd. ("Qingyin Financial Leasing")	90,000,000	—	616,208	—	90,616,208
Vado Investment (i)	—	74,993,197	—	—	74,993,197
	<u>96,025,707</u>	<u>74,993,197</u>	<u>2,058,373</u>	<u>(1,125,301)</u>	<u>171,951,976</u>

- (i) In 2017, the Company's subsidiary – Qingdao Port International Development (Hong Kong) Co., Ltd. ("International Development") acquired 16.5% equity interests of Vado Investment from Maersk Terminal Co., Ltd. ("Maersk Terminal") by cash of EUR 1,745,370, and designated a director to the Board. At the same time, International Development contributed EUR 8,384,930 in cash to increase capital in Vado Investment, together with other shareholders making additional contribution at equal proportion.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(10) Investment properties

	Buildings	Land use rights	Total
Cost			
31 December 2016	36,788,315	89,554,533	126,342,848
Purchase in current year	1,462,600	—	1,462,600
Transfer from intangible assets	—	85,087,785	85,087,785
	<hr/>	<hr/>	<hr/>
31 December 2017	38,250,915	174,642,318	212,893,233
Accumulated depreciation			
31 December 2016	(3,879,716)	(4,619,664)	(8,499,380)
Increase in current year	(1,326,227)	(3,524,289)	(4,850,516)
Transfer from intangible assets	—	(6,246,892)	(6,246,892)
	<hr/>	<hr/>	<hr/>
31 December 2017	(5,205,943)	(14,390,845)	(19,596,788)
Net book value			
31 December 2017	<u>33,044,972</u>	<u>160,251,473</u>	<u>193,296,445</u>
31 December 2016	<u>32,908,599</u>	<u>84,934,869</u>	<u>117,843,468</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Fixed assets

	Buildings	Terminal facilities	Storage facilities	Loading equipment	Machinery and equipment	Vessels	Motor vehicles	Communication facilities	Office and other equipment	Total
Cost										
31 December 2016	448,340,216	8,000,988,642	3,966,687,359	2,815,785,676	666,267,652	1,294,960,860	96,361,630	119,943,045	61,062,259	17,470,397,339
Transfers from construction in progress	37,994,303	1,300,080,170	626,242,401	5,470,040	39,507,704	—	—	12,811,937	89,316	2,022,195,871
Business combinations involving enterprises not under common control	—	—	—	—	—	—	253,281	490	2,141	255,912
Other Increase in current year	71,981,524	23,260,024	1,015,608	35,252,063	16,049,085	79,475,103	5,106,738	13,926,155	5,490,728	251,557,028
Decrease in current year	(3,154,254)	(325,826,000)	(19,482,355)	(16,453,015)	(1,784,750)	(27,600)	(2,725,448)	(3,837,537)	(302,030)	(373,592,989)
31 December 2017	555,161,789	8,998,502,836	4,574,463,013	2,840,054,764	720,039,691	1,374,408,363	98,996,201	142,844,090	66,342,414	19,370,813,161
Accumulated depreciation										
31 December 2016	(171,689,596)	(1,714,278,488)	(545,095,581)	(2,192,577,816)	(486,816,672)	(511,145,216)	(63,555,642)	(69,340,670)	(30,914,678)	(5,785,414,359)
Increase in current year	(17,844,974)	(176,431,155)	(145,491,081)	(122,095,824)	(41,130,490)	(55,329,544)	(9,221,672)	(17,184,681)	(3,569,833)	(588,299,254)
Decrease in current year	356,166	13,249,805	1,903,786	15,060,156	1,578,637	—	1,289,206	3,822,860	295,539	37,556,155
31 December 2017	(189,178,404)	(1,877,459,838)	(688,682,876)	(2,299,613,484)	(526,368,525)	(566,474,760)	(71,488,108)	(82,702,491)	(34,188,972)	(6,336,157,458)
Net book value										
31 December 2017	365,983,385	7,121,042,998	3,885,780,137	540,441,280	193,671,166	807,933,603	27,508,093	60,141,599	32,153,442	13,034,655,703
31 December 2016	276,650,620	6,286,710,154	3,421,591,778	623,207,860	179,450,980	783,815,644	32,805,988	50,602,375	30,147,581	11,684,982,980

For the year ended 31 December 2017, the amounts of depreciation expenses charged to cost of sales and general and administrative expenses were RMB 564,533,782 (2016: RMB 463,482,010) and RMB 23,765,472 (2016: RMB 20,737,219) respectively.

As at 31 December 2017, the Company was of the view that there was no indication that the fixed assets may be impaired, therefore no provision for impairment was recorded (31 December 2016: Nil).

In 2017, the costs of fixed assets transferred from construction in progress amounted to RMB 2,022,195,871 (2016: RMB 3,465,337,833).

As at 31 December 2017, the fixed assets with a carrying amount of RMB 331,928,804 (a cost of RMB 367,561,627) were held under a finance lease, the construction in progress with a carrying amount of RMB 116,711,359 were paid for acquisition under the financial leasing contract signed with Qingdao leasing (31 December 2016: Nil) (Note 12).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Fixed assets (Continued)

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

	Cost	Accumulated depreciation	Net book value
31 December 2017			
Terminal facilities	2,187,267,266	(236,306,055)	1,950,961,211
Storage facilities	924,917,846	(90,379,628)	834,538,218
Buildings	26,984,361	(5,303,008)	21,681,353
Other equipment	93,923	(86,194)	7,729
	<u>3,139,263,396</u>	<u>(332,074,885)</u>	<u>2,807,188,511</u>
31 December 2016			
	Cost	Accumulated depreciation	Net book value
Terminal facilities	1,819,979,555	(165,478,848)	1,654,500,707
Storage facilities	778,997,562	(61,926,228)	717,071,334
Buildings	26,984,361	(3,977,256)	23,007,105
Other equipment	93,923	(86,194)	7,729
	<u>2,626,055,401</u>	<u>(231,468,526)</u>	<u>2,394,586,875</u>

(12) Construction in progress

Project name	31 December 2016	Increase in current year	Business combinations involving enterprises not under common control (i)	Transfer to fixed assets	Transfer to intangible assets	31 December 2017	Accumulative amount of capitalised borrowing costs	Including: borrowing costs capitalised in current year	Capitalisation rate in current year
Dongjiakou stevedoring, storage and transportation projects for liquid bulk cargo	1,387,901,243	1,372,790,526	301,102,467	(1,728,755,172)	—	1,333,039,064	—	—	—
Dongjiakou berth project for bulk and general cargo	531,475,600	163,057,124	—	(213,483,771)	—	481,048,953	28,593,528	1,474,905	4.9%
Dongjiakou stockyard project	137,489,148	143,550,134	—	(60,573,860)	—	220,465,422	—	—	—
Other Dongjiakou projects	100,983,163	450,168	—	(450,168)	—	100,983,163	—	—	—
Other projects	14,908,164	33,663,381	—	(18,932,900)	(1,188,679)	28,449,966	—	—	—
	<u>2,172,757,318</u>	<u>1,713,511,333</u>	<u>301,102,467</u>	<u>(2,022,195,871)</u>	<u>(1,188,679)</u>	<u>2,163,986,568</u>	<u>28,593,528</u>	<u>1,474,905</u>	

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

As at 31 December 2017, the management of the Group was of the view that there was no indication that the construction in progress may be impaired, therefore no provision for decline in the value of construction in progress is recorded.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(13) Intangible assets

	Land use rights	Software	Sea area use rights	Others	Total
Cost					
31 December 2016	827,537,170	44,923,177	116,297,540	50,178,663	1,038,936,550
Increase in current year					
Purchase	85,194,940	11,036,801	—	—	96,231,741
Transfers from construction in progress	—	1,188,679	—	—	1,188,679
Decrease in current year					
Transfer into investment properties	(85,087,785)	—	—	—	(85,087,785)
31 December 2017	827,644,325	57,148,657	116,297,540	50,178,663	1,051,269,185
Accumulated amortisation					
31 December 2016	(48,356,937)	(26,852,019)	(3,160,119)	(29,150,710)	(107,519,785)
Increase in current year Provision	(14,937,999)	(6,955,578)	(2,965,711)	(3,112,848)	(27,972,136)
Decrease in current year					
Transfer to investment properties	6,246,892	—	—	—	6,246,892
31 December 2017	(57,048,044)	(33,807,597)	(6,125,830)	(32,263,558)	(129,245,029)
Carrying amount					
31 December 2017	770,596,281	23,341,060	110,171,710	17,915,105	922,024,156
31 December 2016	779,180,233	18,071,158	113,137,421	21,027,953	931,416,765

In 2017, the amortisation of intangible assets amounted to RMB 27,972,136 (2016: RMB 22,425,936).

In 2017, the amortisation of land use rights charged to construction in progress is RMB 1,136,979 (2016: RMB 2,961,509).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(14) Other non-current assets

	31 December 2017	31 December 2016
Taxes prepaid for rental income from port facilities (i)	187,965,580	198,276,587
Less: Current portion	(11,806,865)	(11,613,049)
Foundation oil (ii)	206,739,409	154,502,225
Construction and equipment expenditures prepaid	91,371,443	131,958,870
	<u>474,269,567</u>	<u>473,124,633</u>

- (i) The Group lease out certain land use rights, terminal facilities, storage facilities and other assets (collectively “Port Facilities”) in Qianwan Port Area to QQCT, a joint venture of the Group, with a lease term of 30 years. By the end of 2010, the Group had received the rental payments in full. The Group calculates the business tax and surcharges relating to the amounts received and recorded them as other non-current assets, and the current portion of which is presented as the current portion of non-current assets.
- (ii) The Company’s subsidiary, Weifang Port Lianhua Storage Co., Ltd. (“Weifang Port Lianhua”) and Qingdao Haiye Mercuria Storage Co., Ltd. (“Mercuria Storage”) purchased some crude oil for the purpose of production and filled in the crude oil pipeline and tanks, so as to ensure the precision of oil product metering and increase the tank pressure for production safety.
- (iii) Other non-current assets with book value of RMB63,460,684 are related to the leasing contract signed between the company and Qingdao Leasing. According to the contact, Qingdao Leasing is required to pay for towing equipment for the Company, and the Company agrees to repay it in 8 years. As at 31 December 2017, the towing equipment has not been delivered. However, Qingdao Leasing has paid 70% of the full price to suppliers, therefore, the Group recognised the amount of corresponding assets as the construction and equipment expenditures prepaid.

(15) Provision for asset impairments

	31 December 2016	Increase in the current year	Decrease in the current year		31 December 2017
			Reversal	Write-off	
Provision for bad debts	139,349,266	210,462,045	(71,180,000)	—	278,631,311
Including: Provision for bad debts					
of accounts receivable	86,607,390	104,140,659	(71,180,000)	—	119,568,049
Provision for bad debts					
of other receivables	13,183,652	39,459,255	—	—	52,642,907
Provision for bad debts of					
long-term receivables	39,558,224	66,862,131	—	—	106,420,355
	<u>139,349,266</u>	<u>210,462,045</u>	<u>(71,180,000)</u>	<u>—</u>	<u>278,631,311</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
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6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(16) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets without offsetting

	31 December 2017		31 December 2016	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Assets revaluation surplus	2,996,953,644	749,238,411	3,084,657,361	771,164,340
Early retirement benefits	109,490,000	27,372,500	134,540,000	33,635,000
Elimination of intra-group unrealised profit	264,077,660	66,019,415	215,264,620	53,816,155
Provision for asset impairments	265,972,940	66,672,873	129,318,348	32,329,587
Accrued expenses	28,931,601	7,232,900	2,283,097	570,774
Deductible losses	13,636,280	3,409,070	—	—
	<u>3,679,062,125</u>	<u>919,945,169</u>	<u>3,566,063,426</u>	<u>891,515,856</u>
Including:				
Expected to be recovered within one year (inclusive)		37,205,607		33,892,832
Expected to be recovered after one year		882,739,562		857,623,024
		<u>919,945,169</u>		<u>891,515,856</u>

(b) Deferred tax liabilities without offsetting

	31 December 2017		31 December 2016	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Business combinations involving enterprises not under common control	92,712,584	23,178,146	77,678,382	19,419,596
Including:				
Expected to be recovered within one year (inclusive)		624,317		441,354
Expected to be recovered after one year		22,553,829		18,978,242
		<u>23,178,146</u>		<u>19,419,596</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	31 December 2017	31 December 2016
Deferred tax assets, net	<u>896,767,023</u>	<u>872,096,260</u>

(17) Short-term borrowings

	Currency	31 December 2017	31 December 2016
Secured	RMB	29,145,445	202,947,290
Secured	JPY	7,540,000	—
Unsecured	RMB	<u>20,000,000</u>	<u>60,000,000</u>
		<u>56,685,445</u>	<u>262,947,290</u>

(a) As at 31 December 2017, secured borrowings of RMB 29,145,445 (31 December 2016: RMB 202,947,290) comprised of the repurchased rediscount of the bank acceptance notes applied for by Qingdao Finance from the People's Bank of China amounted to RMB 21,165,445 (31 December 2016: RMB 15,881,000) and factoring borrowings of RMB 7,980,000 (31 December 2016: Nil) acquired by pledging accounts receivable, and the Group had no borrowings acquired by discounted trade acceptance notes (31 December 2016: RMB 178,580,938) (Note 6(2)). Secured borrowings of JPY 7,540,000 (31 December 2016: secured borrowings of RMB 8,485,352) represented borrowings pledged by letter of credit by the Group.

(b) As at 31 December 2017, the interest rate of short-term borrowings ranged from 2.25% to 7.00% (31 December 2016: from 3.92% to 5.42%).

(18) Notes payable

	31 December 2017	31 December 2016
Trade acceptance notes	419,372,345	94,715,335
Bank acceptance notes	<u>462,811,216</u>	<u>722,903,838</u>
	<u>882,183,561</u>	<u>817,619,173</u>

As at 31 December 2017, bank acceptance notes payable of RMB 13,000,000 were issued with trade acceptance notes receivable of the same amount as collateral (31 December 2016: bank acceptance notes payable of RMB 66,244,274 were issued with bank acceptance notes receivable of the same amount as collateral) (Note 6(2)).

NOTES TO THE FINANCIAL STATEMENTS

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6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(19) Accounts payable

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

	31 December 2017	31 December 2016
Within 3 months	816,189,426	469,177,439
3 to 6 months	172,159,414	296,884,626
Over 6 months	529,257,121	359,774,957
	<u>1,517,605,961</u>	<u>1,125,837,022</u>

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

(20) Employee benefits payable

	31 December 2017	31 December 2016
Short-term employee benefits payable(a)	88,457,970	69,085,235
Defined contribution plans payable(b)	3,122,611	20,671,748
Termination benefits payable(c)	22,160,000	26,210,000
Defined benefit plans payable(d)	110,650,000	111,090,000
	<u>224,390,581</u>	<u>227,056,983</u>

(a) Short-term employee benefits

	31 December 2016	Increase in the current year	Decrease in the current year	31 December 2017
Wages and salaries, bonus, allowances and subsidies	54,048,064	900,501,511	(884,272,229)	70,277,346
Staff welfare	151,600	106,912,359	(107,063,959)	—
Social security contributions	3,451	84,509,194	(84,511,176)	1,469
Including: Medical insurance	2,729	70,663,034	(70,664,491)	1,272
Work injury insurance	497	6,438,777	(6,439,023)	251
Maternity insurance	225	7,407,383	(7,407,662)	(54)
Housing funds	2,699	91,568,749	(91,562,108)	9,340
Labour union funds and employee education funds	6,262,148	19,318,409	(19,551,877)	6,028,680
Outsourcing costs	8,617,273	371,558,661	(368,034,799)	12,141,135
Others	—	9,313,525	(9,313,525)	—
	<u>69,085,235</u>	<u>1,583,682,408</u>	<u>(1,564,309,673)</u>	<u>88,457,970</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(20) Employee benefits payable (Continued)

(b) Defined contribution plans payable

	31 December 2016	Increase in the current year	Decrease in the current year	31 December 2017
Basic pensions	8,126	141,086,875	(141,092,457)	2,544
Unemployment insurance	452	5,467,198	(5,467,508)	142
Corporate annuity	20,663,170	38,486,073	(56,029,318)	3,119,925
	<u>20,671,748</u>	<u>185,040,146</u>	<u>(202,589,283)</u>	<u>3,122,611</u>

(c) Termination benefits payable

	31 December 2017	31 December 2016
Early retirement benefits payable (current portion)	<u>22,160,000</u>	<u>26,210,000</u>

Early retirement benefits borne by the Group are recognised as long-term employee benefits payable (Note 6(28)), the current portion of which is presented as employee benefits payable.

(d) Defined benefit plans

	31 December 2017	31 December 2016
Supplemental retirement benefits (current portion)	<u>110,650,000</u>	<u>111,090,000</u>

Supplemental retirement benefits borne by the Group are recognised as long-term employee benefits payable (Note 6(28)), the current portion of which is presented as employee benefits payable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(21) Taxes payable

	31 December 2017	31 December 2016
Enterprise income tax payable	122,212,876	113,260,369
Unpaid VAT	57,033,833	16,821,512
Land use tax payable	11,031,296	12,308,025
Individual income tax payable	3,866,543	2,702,338
Real estate tax payable	2,343,782	2,206,287
Stamp duty payable	1,155,051	3,141,181
Others	8,483,927	2,780,857
	<u>206,127,308</u>	<u>153,220,569</u>

(22) Interest payable

	31 December 2017	31 December 2016
Interest of bonds payable	68,850,982	68,850,982
Interest of customer deposits	29,703,202	29,073,847
Interest of long-term borrowings with periodic payments of interest and return of principal at maturity	915,475	735,465
Interest of short-term borrowings	106,344	468,712
	<u>99,576,003</u>	<u>99,129,006</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(23) Other payables

	31 December 2017	31 December 2016
Customer deposits by Qingdao Finance (i)	8,225,623,295	6,965,592,554
Construction and equipment expenditures (ii)	1,281,047,075	2,137,311,170
Guarantees and deposits payable	100,889,201	88,432,306
Port construction fees payable (iii)	63,406,164	56,035,142
Port management fees payable (iv)	51,568,200	47,189,296
Payables to Qingdao Port Group	—	481,294,157
Directional purchase expenditures paid on behalf (v)	—	43,992,010
Equity acquisition payable	—	12,134,086
Others	54,904,528	63,875,475
	<u>9,777,438,463</u>	<u>9,895,856,196</u>

- (i) Customer deposits are primarily taken by Qingdao Finance, the Company's subsidiary, from the Group's related parties.
- (ii) Construction and equipment expenditures are mainly payables for project construction, which remain outstanding as relevant projects have not been completed.
- (iii) Port construction fees are collected by the Group on behalf and will be paid to Qingdao Maritime Safety Administration of the PRC.
- (iv) Port management fees payables are mainly harbour dues and port facility security fees collected by the Company's subsidiary Qingdao Port International Logistics ("QDP Logistics") on behalf, and will be paid to QQCT and other terminal loading companies.
- (v) Directional purchase expenditures paid on behalf are procurement payments by agent which has not been paid by the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(24) Long-term borrowings

	Currency	31 December 2017	31 December 2016
Unsecured	RMB	137,390,687	160,720,687
Unsecured	EUR	75,632,301	—
Less: Current portion of long-term borrowings		(24,850,000)	(23,330,000)
		188,172,988	137,390,687

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

(25) Bonds payable

	31 December 2016	Issued in current year	31 December 2017
Corporate bonds payable	3,500,000,000	—	3,500,000,000

Under Zheng Jian Xu Ke [2016] No. 153 approved by China Securities Regulatory Commission, the Company issued the first tranche of corporate bonds of RMB 1.5 billion and the second tranche of corporate bonds of RMB 2 billion on 16 March 2016 and 6 June 2016 respectively with the term of five years. Interest of the bonds is paid annually and calculated by the simple interest method, and the fixed annual interest rates are 2.90% and 3.09% respectively (Note 6(22)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(26) Long-term payables

	31 December 2017	31 December 2016
Employee benefits to be paid on behalf of Qingdao Port Group	53,058,045	54,616,078
Less: Employee benefits due within one year	(2,610,000)	(2,600,000)
Payable to Qingdao Leasing(i)	540,244,451	—
Less: payable due within one year	(11,262,064)	—
Finance lease payable to third parties	4,207,684	—
Less: Finance lease payable due within one year	(2,073,499)	—
Others	106,000	6,085,831
	<u>581,670,617</u>	<u>58,101,909</u>

- (i) Payable to Qingdao Leasing is the amount paid for acquisition of asset in the form of finance lease through Qingdao Leasing by the Company and the Company's subsidiaries Shandong Port Lianhua Pipeline Oil Transport Co., Ltd. ("Lianhua Pipeline"), Weifang Port Lianhua and Dongying Port Lianhua Pipeline Petroleum Transportation Co., Ltd. ("Dongying Port Lianhua"), Datang Qingdao Port Co., Ltd. ("Datang Port") and Qingdao Haiye Mercuria Logistics Co., Ltd. ("Mercuria Logistics").

(27) Deferred income

	31 December 2017	31 December 2016
Government grants (a)	<u>139,299,471</u>	<u>145,259,921</u>

(a) Government grants

	31 December 2016	Increase in the current year	Other income in the current year	Non-operating income in the current year	31 December 2017	Asset related/ Income related
Special funds for outer channel (i)	139,190,364	—	(3,914,444)	—	135,275,920	Asset related
Special funds for science and technology projects	4,330,861	—	—	(1,039,194)	3,291,667	Income related
Others	1,738,696	300,000	—	(1,306,812)	731,884	Asset related
	<u>145,259,921</u>	<u>300,000</u>	<u>(3,914,444)</u>	<u>(2,346,006)</u>	<u>139,299,471</u>	

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(28) Long-term employee benefits payable

	31 December 2017	31 December 2016
Early retirement benefits payable (a)	87,330,000	108,330,000
Supplemental retirement benefits payable (b)	2,269,960,000	2,623,120,000
	<u>2,357,290,000</u>	<u>2,731,450,000</u>

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

(a) Early retirement benefits of the Group:

	31 December 2017	31 December 2016
Early retirement benefits	109,490,000	134,540,000
Less: Payable within one year	(22,160,000)	(26,210,000)
	<u>87,330,000</u>	<u>108,330,000</u>

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

(b) Supplemental retirement benefit obligations of the Group:

	31 December 2017	31 December 2016
Supplemental retirement benefit obligations	2,380,610,000	2,734,210,000
Less: Payable within one year	(110,650,000)	(111,090,000)
	<u>2,269,960,000</u>	<u>2,623,120,000</u>

The supplemental retirement benefits payable within one year are included in employee benefits payable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Early retirement benefits	Supplemental retirement benefits
1 January 2017	134,540,000	2,734,210,000
Amount recognised in profit or loss for the current year		
– Service cost	18,450,000	8,370,000
– Interest expense on the net defined benefit obligations	3,640,000	88,960,000
Re-measurement amount		
– Actuarial gains for current year	(13,930,000)	(347,410,000)
Payment of benefits	(33,210,000)	(103,520,000)
31 December 2017	<u>109,490,000</u>	<u>2,380,610,000</u>
	Early retirement benefits	Supplemental retirement benefits
1 January 2016	132,520,000	2,840,710,000
Amount recognised in profit or loss for the current year		
– Service cost	41,090,000	150,320,000
– Interest expense on the net defined benefit obligations	3,710,000	90,550,000
Re-measurement amount		
– Actuarial gains for current year	(16,070,000)	(238,570,000)
Payment of benefits	(26,710,000)	(108,800,000)
31 December 2016	<u>134,540,000</u>	<u>2,734,210,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	31 December 2017	31 December 2016
Discount rate - early retirement benefits	4.00%	3.00%
Discount rate - supplemental retirement benefits	4.25%	3.50%
Salary and welfare growth rate - early retirement benefits	10%	10%
Jinglao allowance growth rate - supplemental retirement benefits	5%	5%
Fushou allowance growth rate -supplemental retirement benefits	3%	3%

In 2017, the assumption for future mortality rate is based on the statistics of the China Life Annuitant Mortality Table (2010-2013) translated forward by three years. In 2016, the assumption for future mortality rate is based on the statistics of the China Life Annuitant Mortality Table (2000-2003), and the actuarial assumptions are analysed as follows:

	2017	2016
Early retirement benefits -		
Average age	53.6	53.8
Average expected future time until legally retirement	4.0	4.2
Supplemental retirement benefits -		
Average age	52.0	52.4
Average residual expected future lifetime	31.0	30.6

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Change in assumption	Impact on present value of defined benefit liability	
		Increase in assumption	Decrease in assumption
Discount rate - early retirement benefits	25 basis points	1.18% down	1.21% up
Discount rate - supplemental retirement benefits	25 basis points	3.08% down	3.24% up
Salary and welfare growth rate - early retirement benefits	100 basis points	4.15% up	3.80% down
Growth rate of Jinglao allowance - supplemental retirement benefits	100 basis points	5.30% up	4.50% down
Growth rate of Fushou allowance - supplemental retirement benefits	100 basis points	4.12% up	3.37% down

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

- (f) As at 31 December 2017, expected maturity analysis of undiscounted defined benefit liability is as follows:

	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Early retirement benefits	22,150,000	17,450,000	37,990,000	58,580,000	136,170,000
Supplemental retirement benefits	<u>110,570,000</u>	<u>113,780,000</u>	<u>366,680,000</u>	<u>4,151,920,000</u>	<u>4,742,950,000</u>
	<u>132,720,000</u>	<u>131,230,000</u>	<u>404,670,000</u>	<u>4,210,500,000</u>	<u>4,879,120,000</u>

- (g) Early retirement benefits and supplemental retirement benefits expose the Group to a variety of risks, mainly, the risk of change in interest rate of government bonds. Decline in interest rate of government bonds will lead to increase in liabilities.
- (h) Early retirement benefits and supplemental retirement benefits recognised in profit or loss for the current year are as follows:

	2017	2016
General and administrative expenses	12,890,000	175,340,000
Finance expenses	92,600,000	94,260,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(29) Other non-current liabilities

	31 December 2017	31 December 2016
Lease payments collected in advance	3,285,600,109	3,491,821,128
Less: Current portion of lease payments	(203,370,676)	(206,221,020)
	<u>3,082,229,433</u>	<u>3,285,600,108</u>

Lease payments collected in advance mainly comprise Port Facilities lease payments collected in advance from related party QQCT, and dock basin lease payments collected in advance from Qingdao New Qianwan Container Terminal Co., Ltd. ("QQCTN") and Qingdao Qianwan United Container Terminal Co., Ltd. ("QQCTU") with a period of 30 years. The current portion is presented as advances from customers.

(30) Capital surplus

	31 December 2016	Increase in the current year	Decrease in the current year	31 December 2017
Share premium -				
Capital premium contributed				
by Qingdao Port Group (a)	7,052,279,474	—	—	7,052,279,474
Capital premium contributed				
by Other Promoters (a)	783,586,608	—	—	783,586,608
Issue of new shares (b)	1,547,306,924	5,465,252,688	—	7,012,559,612
Shares issue expenses (b)	(113,422,026)	(13,009,480)	—	(126,431,506)
Reversal of revaluation appreciation				
effect from business combination				
involving enterprises under				
common control	(4,830,045,213)	—	—	(4,830,045,213)
Income tax effect recognised from				
revaluation appreciation	887,819,497	—	—	887,819,497
Business combination under				
common control	(18,103,678)	—	—	(18,103,678)
Other capital surplus -				
Share of changes in equity other than				
comprehensive income and profit				
distribution of investees accounted				
for using the equity method	12,213,780	(3,078,055)	—	9,135,725
	<u>5,321,635,366</u>	<u>5,449,165,153</u>	<u>—</u>	<u>10,770,800,519</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(30) Capital surplus (Continued)

	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
Share premium -				
Capital premium contributed				
by Qingdao Port Group (a)	7,052,279,474	—	—	7,052,279,474
Capital premium contributed				
by Other Promoters (a)	783,586,608	—	—	783,586,608
Issue of new shares (b)	1,547,306,924	—	—	1,547,306,924
Shares issue expenses (b)	(113,422,026)	—	—	(113,422,026)
Reversal of revaluation appreciation				
effect from business combination				
involving enterprises under				
common control	(4,830,045,213)	—	—	(4,830,045,213)
Income tax effect recognised from				
revaluation appreciation	887,819,497	—	—	887,819,497
Business combination under				
common control	179,912,210	—	(198,015,888)	(18,103,678)
Other capital surplus -				
Share of changes in equity other than				
comprehensive income and profit				
distribution of investees accounted				
for using the equity method	2,744,874	9,468,906	—	12,213,780
	<u>5,510,182,348</u>	<u>9,468,906</u>	<u>(198,015,888)</u>	<u>5,321,635,366</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(30) Capital surplus (Continued)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(31) Other comprehensive income

(a) Reconciliation of other comprehensive income

	Attributable to shareholders of the Company	Minority interests	Total
	Changes in remeasurement of net liability related to the defined benefit plan obligations		
1 January 2016	(301,159,600)	628,800	(300,530,800)
Movement for the current year	<u>238,134,800</u>	<u>435,200</u>	<u>238,570,000</u>
31 December 2016	<u>(63,024,800)</u>	<u>1,064,000</u>	<u>(61,960,800)</u>
1 January 2017	(63,024,800)	1,064,000	(61,960,800)
Movement for the current year	<u>346,890,300</u>	<u>519,700</u>	<u>347,410,000</u>
31 December 2017	<u>283,865,500</u>	<u>1,583,700</u>	<u>285,449,200</u>

(b) Items of other comprehensive income with the related income tax effect and the amount reclassified to profit or loss

	2017		
	Pre-tax amount	Income tax	Amount, net of tax
Other comprehensive income that will not be subsequently reclassified to profit or loss Changes in remeasurement of net liability related to the defined benefit plan obligations	<u>347,410,000</u>	<u>—</u>	<u>347,410,000</u>
	2016		
	Pre-tax amount	Income tax	Amount, net of tax
Other comprehensive income that will not be subsequently reclassified to profit or loss Changes in remeasurement of net liability related to the defined benefit plan obligations	<u>238,570,000</u>	<u>—</u>	<u>238,570,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(32) Surplus reserve

	31 December 2016	Increase in the current year	Decrease in the current year	31 December 2017
Statutory surplus reserve	<u>429,859,457</u>	<u>244,130,853</u>	—	<u>673,990,310</u>
	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
Statutory surplus reserve	<u>287,004,088</u>	<u>142,855,369</u>	—	<u>429,859,457</u>

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

(33) General reserve

	31 December 2016	Increase in the current year	Decrease in the current year	31 December 2017
General reserve	<u>134,121,910</u>	<u>92,237,961</u>	—	<u>226,359,871</u>
	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
General reserve	<u>77,670,166</u>	<u>56,451,744</u>	—	<u>134,121,910</u>

Pursuant to the notice in Cai Jin [2012] No. 20 Administrative Measures for the Provision of Reserves of Financial Enterprises issued by the Ministry of Finance, financial enterprises shall make appropriation to general reserve for risk assets. The general reserve should not be less than 1.5% of the ending balance of risk assets. If the minimum threshold can not be met at once, it can be accumulated over a period of no more than five years. As at 31 December 2017, the appropriation ratio of the general reserve of the Company's subsidiary Qingdao Finance researched 1.5% of the ending balance of risk assets (including deposits at banks, loans and advances, interest receivable and other receivables).

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6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(34) Undistributed profits

	2017	2016
Undistributed profits at beginning of year	3,631,936,223	2,309,642,411
Add: Net profit attributable to shareholders of the parent company	3,042,959,443	2,186,153,537
Less: Appropriation to statutory surplus reserves	(244,130,853)	(142,855,369)
Appropriation to general reserves	(92,237,961)	(56,451,744)
Profit distribution to shareholders	(787,551,013)	(664,552,612)
Undistributed profits at end of year	<u>5,550,975,839</u>	<u>3,631,936,223</u>

Pursuant to the annual general meeting dated 28 June 2017, the Company distributed a dividend of RMB 787,551,013 to the shareholders of the Company for 2016 at RMB 130.46 per thousand shares (tax included). The aforesaid dividends were paid fully to the shareholders in August 2017.

As the Company is actively pushing ahead the progress of initial public offering and listing of A shares, which is under review phase, the distribution of final dividend for the year 2017 may include holders of A shares upon the listing of A shares. Accordingly, the Board shall make announcement with respect to the detailed proposed dividend for the year ended 31 December 2017 as appropriate in due course, subject to the approval by the shareholders at the forthcoming 2017 AGM.

(35) Revenue and cost of sales

	2017	2016
Revenues from main operations	9,131,214,240	7,753,246,540
Revenues from other operations	1,015,010,802	930,943,126
	<u>10,146,225,042</u>	<u>8,684,189,666</u>

	2017	2016
Cost of main operations	(6,208,034,253)	(5,513,491,350)
Cost of other operations	(608,069,050)	(539,272,805)
	<u>(6,816,103,303)</u>	<u>(6,052,764,155)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(35) Revenue and cost of sales (Continued)

(a) Revenue and cost from main operations

	2017		2016	
	Revenues from main operations	Cost of main operations	Revenues from main operations	Cost of main operations
Container handling and ancillary services	234,824,683	(69,523,369)	192,631,867	(65,817,305)
Metal ores, coal and other cargo handling and ancillary services	3,045,091,693	(2,380,031,445)	2,838,490,967	(2,158,171,925)
Liquid bulk handling and ancillary services	551,692,265	(152,527,397)	127,832,701	(29,613,781)
Logistics and port value-added services	4,155,865,756	(2,627,558,791)	3,385,348,533	(2,178,748,756)
Port ancillary services - construction, labour and construction of port machinery	1,143,739,843	(978,393,251)	1,208,942,472	(1,081,139,583)
	<u>9,131,214,240</u>	<u>(6,208,034,253)</u>	<u>7,753,246,540</u>	<u>(5,513,491,350)</u>

(b) Revenue and cost of sales from other operations

	2017		2016	
	Revenues from other operations	Cost of other operations	Revenues from other operations	Cost of other operations
Port ancillary service - sales of fuel, electricity and others	994,534,793	(606,351,293)	911,019,071	(538,407,881)
Financial services	20,476,009	(1,717,757)	19,924,055	(864,924)
	<u>1,015,010,802</u>	<u>(608,069,050)</u>	<u>930,943,126</u>	<u>(539,272,805)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(36) Taxes and surcharges

	2017	2016
Land use tax	45,698,524	34,819,063
City maintenance and construction tax	18,392,673	18,755,598
Educational surcharge	13,191,383	13,422,180
Business tax (i)	10,360,427	27,943,788
Stamp tax	9,717,880	4,137,161
Real estate tax	5,825,671	4,591,137
Others	2,883,384	6,753,268
	<u>106,069,942</u>	<u>110,422,195</u>

- (i) As described in Note 6(14), the Group leases facilities of Qianwan Port to related parties with lease term of 30 years, such as QQCT. By the end of 2010, the Group had received the rental payments in full. The Group recognised business tax and surcharges on the day of receipt of rental payments and recorded taxes paid into other non-current assets, and carried forward to taxes and surcharges based on leasing income recognised in every period.

(37) Finance expenses

	2017	2016
Interest costs	217,957,122	164,705,381
Less: Capitalised interest	(1,474,905)	(6,535,934)
Interest expenses	216,482,217	158,169,447
Less: Interest income	(509,295,112)	(369,008,145)
Effect of actuarial calculation of employee benefits	92,600,000	94,260,000
Exchange gains or losses	50,754,364	(9,281,778)
Others	427,633	865,885
	<u>(149,030,898)</u>	<u>(124,994,591)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(38) Expenses by nature

The cost of sales, selling expenses and general and administrative expenses in the income statements are listed as follows by nature:

	2017	2016
Subcontract cost	1,950,633,252	1,512,518,033
Employee benefits	1,732,890,952	1,828,681,442
Cost for outsourcing transportation	1,238,425,915	1,154,910,930
Depreciation of fixed assets	588,299,254	484,219,229
Consumption of raw materials in construction contract	354,835,937	508,237,507
Cost for purchasing fuel and electricity	316,512,072	267,451,161
Fuel and heating expenditures	242,065,786	219,442,158
Consumption of other raw materials	225,707,996	219,546,950
Rental expenses	178,400,708	186,875,186
Repair expenses	137,316,758	105,650,956
Cost for traded goods	131,093,213	—
Amortisation of intangible assets	26,835,157	19,464,427
Amortisation of long-term prepaid expenses	24,469,901	26,627,191
Consultancy expenses	24,132,255	7,129,599
Audit expenses	10,211,611	5,819,837
– Audit services	10,181,648	5,735,591
– Non-audit services	29,963	84,246
Depreciation of investment properties	4,850,516	8,162,646
Taxes	—	20,635,471
Others	151,626,712	128,505,858
	7,338,307,995	6,703,878,581

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(39) Asset impairment losses

	2017	2016
Provision for bad debts	139,282,045	44,230,685
Provision for intangible asset	—	929,277
	<u>139,282,045</u>	<u>45,159,962</u>

(40) Investment income

	2017	2016
Income from long-term equity investments under equity method	1,116,550,382	793,115,582
Investment income on disposal of available-for-sale financial assets	51,695,472	10,623,633
Investment income from the original long-term equity investment remeasured at fair value through step-by-step business combination	6,339,652	—
Investment income from disposal of financial assets at fair value through profit or loss	—	146,731
Investment income from available-for-sale financial assets during holding period	58,500	58,500
Investment losses from disposal of subsidiaries (Note 7(2))	(3,154,559)	—
	<u>1,171,489,447</u>	<u>803,944,446</u>

There is no significant restriction on transferring funds in the form of investment income.

(41) Gains on disposal of assets

	2017	2016
Gains on disposals of fixed assets	32,919,663	9,175,119
Losses on disposals of intangible assets	(3,160,943)	—
	<u>29,758,720</u>	<u>9,175,119</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(42) Other income

	2017	2016	Asset related/ Income related
Development support fund related to daily operations	38,593,000	—	Income related
Special funds for outer channel	3,914,444	—	Assets related
Wengang allowance	5,567,163	—	Income related
	<u>48,074,607</u>	<u>—</u>	

(43) Non-operating income

	2017	2016
Government grants (i)	11,452,858	42,282,747
Commission from port construction fees (ii)	14,878,230	13,855,421
Gains on disposals of investment properties	—	32,965,958
Others	4,857,482	13,993,041
	<u>31,188,570</u>	<u>103,097,167</u>

(i) Details of government grants

	2017	2016	Asset related /Income related
Development support funds from Finance Bureau	5,015,400	23,182,100	Income related
Awards for investments attraction	3,200,000	3,200,000	Income related
Science and technological awards	1,061,194	6,732,759	Income related
Special funds for outer channel	—	3,914,444	Asset related
Wengang allowance	—	2,779,283	Income related
Other government grants	2,176,264	2,474,161	Asset related/ Income related
	<u>11,452,858</u>	<u>42,282,747</u>	

- (ii) According to the Administrative Measures for the Collection and Use of Port Construction Fees jointly developed by the Ministry of Finance and the Ministry of Transport, the Group collects commission fees at a 1 % of the port construction fee.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(44) Income tax expenses

	2017	2016
Current income tax calculated based on tax law and related regulations	775,097,997	580,328,550
Deferred income tax	<u>(24,670,763)</u>	<u>(14,806,483)</u>
	<u>750,427,234</u>	<u>565,522,067</u>

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

	2017	2016
Total profit	<u>3,990,789,820</u>	<u>2,864,614,263</u>
Income tax expenses calculated at applicable tax rates	997,697,455	716,153,566
Affected by preferential tax	(1,797,762)	(368,027)
Investment income not subject to tax	(279,137,596)	(198,278,896)
Extra-deducted salary for disabled employees	(1,732,136)	(2,140,332)
Costs, expenses and losses not deductible for tax purposes	25,411,235	47,634,955
The deferred tax effect of deductible losses with 0% tax rate in the recovery period	<u>9,986,038</u>	<u>2,520,801</u>
Income tax expenses	<u>750,427,234</u>	<u>565,522,067</u>

(45) Earnings per share

(a) Basic earnings per share

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

	2017	2016
Consolidated net profit attributable to ordinary shareholders of the Company	3,042,959,443	2,186,153,537
Weighted average number of ordinary shares outstanding	<u>5,539,616,800</u>	<u>4,778,204,000</u>
Basic earnings per share	<u>0.55</u>	<u>0.46</u>
Including:		
– Basic earnings per share from continuing operations:	0.55	0.46
– Basic earnings per share from discontinued operations	Not applicable	Not applicable

NOTES TO THE FINANCIAL STATEMENTS

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(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(45) Earnings per share (Continued)

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares for year ended 31 December 2017 (31 December 2016: Nil), diluted earnings per share equal to basic earnings per share.

(46) Notes to the cash flow statement

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

	2017	2016
Net profit	3,240,362,586	2,299,092,196
Add: Provision for asset impairment losses	139,282,045	45,159,962
Depreciation of fixed assets and investment properties	593,149,770	492,381,875
Amortisation of intangible assets	26,835,157	19,464,427
Amortisation of long-term prepaid expenses	24,469,901	26,627,191
Amortisation of deferred income	(6,260,450)	(6,281,575)
Gains on disposal of non-current assets	(29,758,720)	(42,141,077)
Gains on business combination involving enterprises not under common control	—	(10,028,698)
Investment income	(1,171,489,447)	(803,944,446)
Increase in deferred tax assets	(28,870,668)	(14,806,483)
Finance expenses	(128,497,893)	(119,416,374)
Increase in inventories	(43,198,224)	(134,076,442)
Increase in operating receivables	(1,177,182,592)	(560,758,993)
Increase/(decrease) in operating payables	485,447,132	(232,470,522)
Net cash flows from operating activities	<u>1,924,288,597</u>	<u>958,801,041</u>

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

Endorsement of notes receivable

	2017	2016
Goods and services purchased by endorsement of notes receivable	<u>1,940,744,531</u>	<u>2,064,862,313</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

(i) Endorsement of notes receivable

	2017	2016
Long-term assets acquired by endorsement of notes receivable	75,815,130	146,754,219
Construction expenditures paid on behalf by endorsement of notes receivable	32,086,850	154,440,601
	<u>107,901,980</u>	<u>301,194,820</u>

(ii) Finance Leases

	2017	2016
Finance Leases Assets	<u>53,122,127</u>	—

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

(i) Discounted notes receivable

	2017	2016
Short-term borrowings payment deducted by previously discounted notes receivable fall due	<u>241,430,715</u>	<u>559,750,728</u>

(ii) The Company made Proposed Subscription of domestic shares to Shanghai China Shipping Terminal, and Shanghai China Shipping Terminal paid 20% of its equity interests of QQCT evaluating as RMB 3,198,650,840 as part of the consideration (Note 6(9) (a)).

(e) Net movements in cash

	2017	2016
Cash at end of year	6,362,939,502	2,747,487,988
Less: Cash at beginning of year	<u>(2,747,487,988)</u>	<u>(4,762,467,699)</u>
Net increase/(decrease) in cash	<u>3,615,451,514</u>	<u>(2,014,979,711)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(f) Cash

	31 December 2017	31 December 2016
Cash at bank and on hand (Note 6(1))	11,705,176,363	8,100,294,431
Less: Term deposits with term of over 3 months	(4,211,953,530)	(4,601,482,254)
Other restricted cash balances	(1,130,283,331)	(751,324,189)
Cash at end of year	<u>6,362,939,502</u>	<u>2,747,487,988</u>

(g) Cash received relating to other operating activities

	2017	2016
Rental income from port facilities	193,218,032	130,164,433
Government grants	53,267,015	36,001,172
Deposits and guarantee	38,411,705	7,384,804
Interest from cash at bank	19,389,795	7,086,482
Commission from port construction fees	14,878,230	13,855,421
Port management expenses collected and paid on behalf	4,378,904	47,189,296
Port management fees collected on behalf	—	50,200,656
Land use tax refund	—	11,863,811
Others	5,125,700	13,077,646
	<u>328,669,381</u>	<u>316,823,721</u>

(h) Cash paid relating to other operating activities

	2017	2016
Purchases of goods paid on behalf	142,043,483	6,993,312
Intermediary service fee	35,013,428	17,033,834
General office expenses and entertainment expenses	32,275,632	26,541,481
Port construction fees paid on behalf	6,836,526	—
Repayment to Qingdao Port Group for previously received maturity of notes on behalf	—	67,988,440
Repayment on customers clearance fees collected on behalf	—	61,775,988
Others	33,856,780	27,534,733
	<u>250,025,849</u>	<u>207,867,788</u>

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For the year ended 31 December 2017

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6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(i) Cash received relating to other investing activities

	2017	2016
Loans repayment received from related parties and third parties	1,551,496,621	850,020,142
Agent construction project expenditures receivables received	34,801,328	9,732,408
Net cash received from acquisition of a subsidiary (Note 6(46) (j))	—	24,609,267
	<u>1,586,297,949</u>	<u>884,361,817</u>

(j) Acquisition or disposal of subsidiaries

(i) Acquisition of subsidiaries

	2017	2016
Cash paid for current year	152,027,521	25,251,996
Less: Unpaid amount	—	(12,134,086)
Less: Cash held by the subsidiary	(13,175,391)	(37,727,177)
Add: Cash paid for business combination in prior periods	12,134,086	—
Net cash paid for acquisition of the subsidiary	<u>150,986,216</u>	<u>(24,609,267)</u>

In 2016, the acquisition of a subsidiary by the Company represented net cash received, and is presented as cash received relating to other investing activities (Note 6 (46) (i)).

(ii) Disposal of subsidiaries

	2017	2016
Cash received from disposal of subsidiaries in current year	457,621,651	—
Less: cash hold by subsidiaries in the time of losing control	(174,719,908)	—
Net cash received from disposal of subsidiaries	<u>282,901,743</u>	<u>—</u>

The price and net asset of disposal of subsidiaries is set out in Note 7(2).

(k) Cash paid relating to other investing activities

	2017	2016
Loans provided to related parties and third parties	2,549,667,390	2,716,894,620
Payment for assets purchased under finance lease	81,992,405	39,206,561
Statutory deposit reserves by Qingdao Finance	3,643,417	351,486,082
	<u>2,635,303,212</u>	<u>3,107,587,263</u>

(l) Cash received relating to other financing activities

	2017	2016
Customer deposits by Qingdao Finance	<u>1,260,030,741</u>	<u>691,018,370</u>

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6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(m) Cash paid relating to other financing activities

	2017	2016
Payment to Qingdao Port Group	417,577,939	104,719,124
Repayment to Qingdao Port Leasing	17,345,639	—
Payment for share issuing expenses	13,009,480	—
Expenses related to issuance of bonds	—	18,424,528
	447,933,058	123,143,652

7 CHANGES OF THE SCOPE OF CONSOLIDATION

(1) Business combinations involving enterprises not under common control

(a) Business combinations involving enterprises not under common control in the current year

Acquiree	Acquisition time	Cost of acquisition	% of equity acquired	Acquisition method	Acquisition date	Basis for determining the acquisition date	Revenue of	Net profit of	Cash flows	Net cash flows
							from the acquisition date to the end of the year	from the acquisition date to the end of the year	from operating activities of the acquiree from the acquisition date to the end of the year	from operating activities of the acquiree from the acquisition date to the end of the year
Vopak Logistics	5 May 2017	152,027,521	50%	By cash	5 May 2017	Control acquired	—	(121,123)	(49,316)	(287,816)

On 15 June 2012, Qingdao Port Group and Vopak Terminal DJK B.V. jointly contributed capital to set up Vopak Logistics. Qingdao Port Group holds 50% of shareholding. As set out in Note 1, as the Leading Promoter, Qingdao Port Group set up the Company together with Other Promoters in November 2013, and contributed its equity interests in Vopak Logistics to the Company, therefore, the Company became one of the investors of Vopak Logistics instead of Qingdao Port Group.

On 5 May 2017, the Company purchased 50% of equity interests of Vopak Terminal held by Vopak Terminal DJK B.V., so Vopak Terminal became a wholly-owned subsidiary of the Company.

Vopak Logistics was not in actual operation from the acquisition date to the year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

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7 CHANGES OF THE SCOPE OF CONSOLIDATION (Continued)

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

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

	Vopak Logistics
Cost of combination	
– Cash	152,027,521
– Fair value of 50% equity interests previously held at acquisition date	150,177,036
Less: Fair value of the identifiable net assets acquired	<u>(300,354,072)</u>
Goodwill	<u>1,850,485</u>
Fair value of 50% equity interests previously held at acquisition date	150,177,036
Less: Carrying amount of 50% equity interests previously held	<u>(143,837,384)</u>
Investment income	<u>6,339,652</u>

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

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

(i) Vopak Logistics

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

The fair value of the assets and liabilities of Vopak Logistics at the acquisition date is determined by the Group using valuation techniques. The method of evaluation of main assets construction in progress is the replacement cost method. The key assumption is that the project will continue to be built and put into operation according to the established design scheme and purpose.

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7 CHANGES OF THE SCOPE OF CONSOLIDATION (Continued)

(2) Disposal of subsidiaries

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

Name of subsidiary	Consideration received from the disposal	Disposal proportion	Way of disposal	Timing of losing control	Judgment basis for time of losing control	Difference between consideration received from the disposal and corresponding shares of net assets attributable to the parent company consolidated to initial equity investment to gains or losses of investment	
						financial statement level	Amount transferred from other comprehensive income related to initial equity investment to gains or losses of investment
Qingdao Port Fund Management Co., Ltd. ("Fund Management") (i)	2,918,423	100%	Equity transfer	17 April 2017	Changes of business registration	—	—
Qingdao Port Capital Management Co., Ltd. ("Capital Management") (ii)	177,088,324	100%	Equity transfer	10 August 2017	Changes of business registration	139,522	—
Qingdao Port Leasing (iii)	277,614,904	100%	Equity transfer	19 September 2017	Business registration of changes	(3,294,081)	—

- (i) On 17 April 2017, the Company disposed 100% of its equity interests held in Fund Management with no gains or loss from disposal. From 1 January 2017 to the day of disposal, the Fund management is not operating and no profit.
- (ii) On 10 August 2017, the Company disposed 100% of its equity interests held in Fund Management to Qingdao Port Financial Controlling Co., Ltd. ("Qingdao Financial Controlling") at RMB 139,522. From 1 January 2017 to the day of disposal, net profit of RMB 2,512,267 gained by Financial Controlling.
- (iii) On 19 September 2017, the Company and the Company's subsidiary International Development disposed 100% of equity interests held in Qingdao Leasing. Qingdao Port International disposed 75% of its equity interests to Qingdao Financial Controlling at RMB 247,882,348 while International Development disposed 25% of its equity interests to Qingdao Financial Controlling's subsidiary Qingdao Port Fund Management (Hong Kong) Co., Ltd. at RMB 29,732,556. The aforesaid total amount of disposal of 100% equity interests of Qingdao Leasing is RMB 277,614,904 with disposal losses of RMB 3,294,081. From 1 January 2017 to the day of disposal, net profit of RMB 11,428,575 gained by Qingdao Leasing.

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7 CHANGES OF THE SCOPE OF CONSOLIDATION (Continued)

(2) Disposal of subsidiaries (Continued)

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

(i) Fund Management

	Amount
Consideration received from the disposal	2,918,423
Less: Share of net assets of Fund Management at the consolidated financial statement level	<u>(2,918,423)</u>
Investment income arising from the disposal	<u>—</u>

(ii) Assets Management Company

	Amount
Consideration received from disposal	177,088,324
Less: Shares in net assets of Assets Management Company at the consolidated financial statement level	<u>(176,948,802)</u>
Investment income arising from disposal	<u>139,522</u>

(iii) Qingdao Leasing

	Amount
Consideration received from the disposal	277,614,904
Less: Shares of net assets of the Qingdao Leasing at the consolidated financial statement level	<u>(280,908,985)</u>
Investment loss arising from the disposal	<u>(3,294,081)</u>

NOTES TO THE FINANCIAL STATEMENTS

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7 CHANGES OF THE SCOPE OF CONSOLIDATION (Continued)

(3) Changes of the scope of consolidation caused by other reasons

On 25 April 2017, the Company's subsidiary, Lianhua Pipeline, set up a non-fully-owned subsidiary, Dongying Port Lianhua. As at 31 December 2017, the Company had not made the payment.

On 4 August 2017, the Company's subsidiary, QDP Logistics, funded the incorporation of a non-fully-owned subsidiary, Qingdao Port Lianhua International Logistics Co., Ltd., with capital contribution of RMB 12,000,000 ("Lianhua Logistics").

On 28 November 2017, the Company's subsidiaries, QDP Logistics and Qingdao Port Lianshun Shipping Co., Ltd. ("GLS Shipping"), set up a subsidiary, Qingdao Lianxing Tolly Co., Ltd. ("Lianxing Tolly"). As at 31 December 2017, the Company had not made the payment.

Please refer to Note 8(1) (a) for the details of the subsidiaries. The above mentioned subsidiaries are included in the scope of consolidation.

8 INTEREST IN OTHER ENTITIES

(1) Interest in subsidiaries

(a) Constitution of the Group

	Type of entity	Major business location	Place of registration	Principal activities	Shareholding (%)		Voting rights (%)	Acquisition method
					Direct	Indirect		
Qingdao Yongli Insurance Agency Co., Ltd. ("Yongli Insurance")	Limited Liability Company	Qingdao, China	Qingdao, China	Insurance agency services	90%	10%	100%	Incorporation or investment
QDP Logistics	Limited Liability Company	Qingdao, China	Qingdao, China	Integrated Logistics services	100%	—	100%	Incorporation or investment
Qingdao Hongyu Cargo Agency Co., Ltd. ("Hongyu Cargo Agency")	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo Agency Services	100%	—	100%	Incorporation or investment
GLS Shipping	Limited Liability Company	Qingdao, China	Qingdao, China	Shipping agency	100%	—	100%	Incorporation or investment
Qingdao Ocean Shipping Repair Co., Ltd. ("Ocean Shipping Repair")	Limited Liability Company	Qingdao, China	Qingdao, China	Shipping repair services	100%	—	100%	Incorporation or investment
Qingdao Port (Group) Engineering Co., Ltd. ("Qingdao Port Engineering")	Limited Liability Company	Qingdao, China	Qingdao, China	Engineering & construction	100%	—	100%	Incorporation or investment
Port Engineering Design Institute	Limited Liability Company	Qingdao, China	Qingdao, China	Engineering Design services	—	100%	100%	Incorporation or investment
Qingdao Ocean Shipping Tally Co., Ltd. ("Ocean Shipping Tally")	Limited Liability Company	Qingdao, China	Qingdao, China	Ocean shipping tally services	84%	—	84%	Incorporation or investment

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For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

8 INTEREST IN OTHER ENTITIES (Continued)

(1) Interest in subsidiaries (Continued)

(a) Constitution of the Group (Continued)

	Type of entity	Major business location	Place of registration	Principal activities	Shareholding (%)		Voting rights (%)	Acquisition method
					Direct	Indirect		
Qingdao Gangjia Logistics Co., Ltd. ("Gangjia Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Logistics services	51%	—	51%	Incorporation or investment
Qingdao Bonded Port Area Gangrong Storage Center Co., Ltd. ("Gangrong Storage")	Limited Liability Company	Qingdao, China	Qingdao, China	Storage services	100%	—	100%	Incorporation or investment
Qingdao Port Travel Agency	Limited Liability Company	Qingdao, China	Qingdao, China	Travel agency	94.29%	—	94.29%	Incorporation or investment
Qingdao Port Duty-free Merchandise Co., Ltd ("Duty-free Merchandise")	Limited Liability Company	Qingdao, China	Qingdao, China	Sales of merchandise	100%	—	100%	Incorporation or investment
Datang Port	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo handling services	51%	—	51%	Business combinations involving enterprises not under common control
Mercuria Logistics (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo handling services	58%	—	60%	Business combinations involving enterprises not under common control
Mercuria Storage (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Storage services	71%	—	60%	Business combinations involving enterprises not under common control
Qingdao Port E-Link Logistics Co.,Ltd. ("E-Link Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo Agency Services	—	65%	65%	Incorporation or investment
Qingdao Port International Trade Logistics Co., Ltd. ("International Trade Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Trade Agency Services	—	60%	60%	Incorporation or investment
Qingdao Port Eimskip Coldchain Logistics Co., Ltd. ("Eimskip Coldchain") (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Logistics services	70%	—	60%	Incorporation or investment
Qingdao Finance	Limited Liability Company	Qingdao, China	Qingdao, China	Financial services	70%	—	70%	Incorporation or investment
Qingdao Port Dongjiakou Bulk Cargo Logistics Co., Ltd. ("Bulk Cargo Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo Agency Services	—	51%	51%	Incorporation or investment

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(All amounts in RMB Yuan unless otherwise stated)

8 INTEREST IN OTHER ENTITIES (Continued)

(1) Interest in subsidiaries (Continued)

(a) Constitution of the Group (Continued)

	Type of entity	Major business location	Place of registration	Principal activities	Shareholding (%)		Voting rights (%)	Acquisition method
					Direct	Indirect		
Technology Company	Limited Liability Company	Qingdao, China	Qingdao, China	Software and hardware maintenance services	100%	—	100%	Incorporation or investment
Qingdao Port Properties Co., Ltd. ("Qingdao Port Properties")	Limited Liability Company	Qingdao, China	Qingdao, China	Property services	100%	—	100%	Incorporation or investment
Qingdao Port Culture Media Co., Ltd. ("Culture Media")	Limited Liability Company	Qingdao, China	Qingdao, China	Media services	100%	—	100%	Incorporation or investment
Qingdao Port Jieyuntong Logistics Co., Ltd. ("Jieyuntong Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo Agency Services	—	51%	51%	Incorporation or investment
Qingdao Port Jiefeng International Logistics Co., Ltd. ("Jiefeng Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo Agency Services	—	51%	51%	Incorporation or investment
Qingdao Port Lianjie International Logistics Co., Ltd. ("Lianjie Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	CFS Services	—	58%	58%	Incorporation or investment
Qingdao Port Lianyu International Logistics Co., Ltd. ("Lianyu Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo Agency Services	—	60%	60%	Incorporation or investment
Qingdao Port Pulp Logistics Co., Ltd. ("Pulp Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo Agency Services	—	55%	55%	Incorporation or investment
Qingdao City Qingdao Port Commodity Trading Center Co., Ltd. ("QDP CTC")	Limited Liability Company	Qingdao, China	Qingdao, China	Trade Agency Services	—	100%	100%	Business combination under common control
International Development	Limited Liability Company	Hong Kong, China	Hong Kong, China	Investment management	100%	—	100%	Business combination under common control
Qingdao Port Tongbao Shipping Co., Ltd. ("Tongbao Shipping")	Limited Liability Company	Qingdao, China	Qingdao, China	Logistics services	100%	—	100%	Incorporation or investment
Qingdao Port Tongze Trading Co., Ltd. ("Tongze Trading")	Limited Liability Company	Qingdao, China	Qingdao, China	Sales of merchandise	100%	—	100%	Incorporation or investment
DMT (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo handling services	80%	—	67%	Incorporation or investment
Qingdao Port Svitzer Towage Co., Ltd. ("Svitzer Towage") (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Lightering services	55%	—	60%	Incorporation or investment

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For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

8 INTEREST IN OTHER ENTITIES (Continued)

(1) Interest in subsidiaries (Continued)

(a) Constitution of the Group (Continued)

	Type of entity	Major business location	Place of registration	Principal activities	Shareholding (%)		Voting rights (%)	Acquisition method
					Direct	Indirect		
Lianhua Pipeline	Limited Liability Company	Qingdao, China	Qingdao, China	Fuel storage	75%	—	75%	Incorporation or investment
Qingdao Port Lianxin International Logistics Co., Ltd. ("Lianxin Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	CFS Services	—	58%	58%	Incorporation or investment
Weifang Port Lianhua	Limited Liability Company	Weifang, China	Weifang, China	Fuel storage	—	100%	100%	Incorporation or investment
Qingdao Qianwan Port Bonded Logistics Centre Co., Ltd ("Bonded Logistics Centre")	Limited Liability Company	Qingdao, China	Qingdao, China	Storage services	63%	37%	100%	Business combinations involving enterprises not under common control
Dongying Port Lianhua	Limited Liability Company	Dongying, China	Dongying, China	Fuel storage	—	70%	70%	Incorporation or investment
Vopak Logistics	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo handling services	100%	—	100%	Business combinations involving enterprises not under common control
Lianhua Logistics	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo Agency Services	—	60%	60%	Incorporation or investment
Lianxing Tolly	Limited Liability Company	Qingdao, China	Qingdao, China	Ocean shipping tally services	—	100%	100%	Incorporation or investment

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For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

8 INTEREST IN OTHER ENTITIES (Continued)

(1) Interest in subsidiaries (Continued)

(a) Constitution of the Group (Continued)

- (i) On 23 May 2014, the Company acquired 51% equity of Mercuria Logistics through increase in capital and shares, and Mercuria Logistics was treated as a subsidiary and included in the consolidation scope. As at 31 December 2017, the Company and minority shareholders had not completed capital contributions to Mercuria Logistics and the actual percentage of investment of the Company was 58%. The decisions on Mercuria Logistics's relevant operating activities are made by the resolution of the Board which subject to the approval of more than half of the directors who attend the Board's meeting. The Company can designate 3 out of 5 board members in Mercuria Logistics, so the voting rights held by the Company was 60%.

On 30 October 2014, the Company acquired 65% equity of Mercuria Storage through increase in capital and shares, and Mercuria Storage was treated as a subsidiary and included in the consolidation scope. As at 31 December 2017, the Company and minority shareholders had not completed capital contributions to Mercuria Storage and the actual percentage of investment of the Company was 71%. The decisions on Mercuria Storage's relevant operating activities are made by the resolution of the Board which subject to the approval of more than half of the directors who attend the Board's meeting. The Company can designate 3 out of 5 board members in Mercuria Storage, so the voting rights held by the Company was 60%.

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

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

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

In 2017, no share capital or bond was issued by the subsidiaries of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

8 INTEREST IN OTHER ENTITIES (Continued)

(1) Interest in subsidiaries (Continued)

(b) Subsidiaries with significant minority interests

Subsidiaries	Shareholding of minority shareholders	Gains and losses attributable to minority shareholders for the year ended 31 December 2017	Dividends distributed to minority shareholders for the year ended 31 December 2017	Minority interests as at 31 December 2017
Qingdao Finance	30%	80,141,777	—	479,689,477
Mercuria Logistics (i)	42%	6,816,950	—	200,820,095
Datang Port	49%	(12,072,210)	—	146,707,144
Lianhua Pipeline (ii)	25%	5,245,233	—	152,112,982

(i) In accordance with the joint investment agreement, the percentage of shareholding in Mercuria Logistics held by minority shareholders is 49%. As at 31 December 2017, minority shareholders had not completed capital contributions and the actual percentage of investment was 42%.

(ii) In accordance with the joint investment agreement, the percentage of shareholding in Lianhua Pipeline held by minority shareholders is 49%. As at 31 December 2017, minority shareholders had not completed capital contributions and the actual percentage of investment was 25%.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

8 INTERESTS IN OTHER ENTITIES (Continued)

(1) Interests in subsidiaries (Continued)

(b) Subsidiaries with significant minority interests (Continued)

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

	31 December 2017				31 December 2016			
	Qingdao Finance	Mercuria Logistics	Datang Port	Lianhua Pipeline	Qingdao Finance	Mercuria Logistics	Datang Port	DMT
Current assets	12,274,477,669	17,766,330	22,751,839	501,834,740	9,510,123,697	28,734,055	16,409,468	47,736,397
Non-current assets	3,578,961,205	944,442,824	841,745,463	2,101,058,250	2,333,857,811	1,021,934,734	784,317,312	1,016,619,759
Total assets	15,853,438,874	962,209,154	864,497,302	2,602,892,990	12,043,981,508	1,050,668,789	800,726,780	1,064,356,156
Current liabilities	(14,251,102,282)	(189,008,501)	(197,599,377)	(542,543,941)	(10,707,824,980)	(264,139,471)	(232,596,595)	(326,854,852)
Non-current liabilities	(3,371,667)	(348,064,422)	(370,444,509)	(1,450,954,634)	(4,330,861)	(320,604,792)	(244,090,687)	(137,500,000)
Total liabilities	(14,254,473,949)	(537,072,923)	(568,043,886)	(1,993,498,575)	(10,712,155,841)	(584,744,263)	(476,687,282)	(464,354,852)

	2017				2016			
	Qingdao Finance	Mercuria Logistics	Datang Port	Lianhua Pipeline	Qingdao Finance	Mercuria Logistics	Datang Port	DMT
Revenue	466,314,809	86,833,957	20,635,327	96,677,218	339,903,040	75,739,918	9,416,219	—
Net profit	267,139,258	17,533,008	(24,572,882)	21,004,483	180,539,677	10,527,657	(10,083,204)	—
Total comprehensive income	267,139,258	17,523,008	(24,572,882)	20,574,483	180,539,677	10,527,657	(10,083,204)	—
Cash flows from operating activities	3,549,083,276	35,183,895	224,707	43,969,012	(1,846,496,798)	10,673,118	(1,003,676)	—

(2) Interests in joint ventures and associates

(a) General information of material joint ventures

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

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

As at 31 December 2017, no share capital or bond was issued by the aforesaid material joint ventures.

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(All amounts in RMB Yuan unless otherwise stated)

8 INTERESTS IN OTHER ENTITIES (Continued)

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

(b) Summarised financial information for significant joint ventures (Continued)

As described in Note 6(9), The Company acquired QQCT's 20% equity on 22 May 2017 with the amount of RMB 3,198,650,840. The fair value of this newly-added equity on settlement date is based on income method and key assumptions are as follows:

Discount rate	10.96%
Gross profit margin	64.00%

The share of the net asset of the joint ventures was calculated by the share proportion of the Group, based on the equity attributable to shareholders of the joint ventures in the consolidated financial statement of the joint ventures, adjusted accordingly to the fair value of the identifiable assets and liabilities of the joint ventures at the acquisition date and conformed to accounting policies of the Group. As at 31 December 2017, the financial information of QQCT had been adjusted according to the continuous measured fair value of the identifiable assets and liabilities at the acquisition date when the Group obtained its 20% equity interests.

The fair value of assets and liabilities of QQCT at the acquisition date is determined by the Group using valuation techniques. The evaluation methods of major assets and key assumptions are listed as follows:

The method of evaluation of fixed assets is the replacement cost method, and the key assumption is that the buildings will continue to be used with the existing purpose. Machinery and equipment assets will continue to be used in and for existing location and purposes.

The method of evaluation of land use rights is the market comparison method and land datum value method, and the key assumption is that the land use rights will continue to be used with existing purpose.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

8 INTERESTS IN OTHER ENTITIES (Continued)

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

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

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

	2017	2016
Joint ventures:		
Aggregated carrying amount of investments	1,781,390,386	1,779,217,626
Aggregate of the following items in proportion		
Net profit (i)	138,097,214	100,018,589
Other comprehensive income (i)	—	—
Total comprehensive income	<u>138,097,214</u>	<u>100,018,589</u>
Associates:		
Aggregated carrying amount of investments	171,951,976	96,025,707
Aggregate of the following items in proportion		
Net profit (i)	2,058,373	1,437,074
Other comprehensive income (i)	—	—
Total comprehensive income	<u>2,058,373</u>	<u>1,437,074</u>

(i) The net profit and other comprehensive income have taken into account the impacts of both the fair value of the identifiable assets and liabilities upon the acquisition of investment in joint ventures and associates and the unification of accounting policies adopted by the joint ventures and the associates to those adopted by the Company.

(e) As at 31 December 2017, the Group's management considered there was no indication that the long-term equity investments may be impaired, therefore no provision for impairment was required (31 December 2016: Nil).

(f) Please refer to Note 11(3) for unrecognised commitments in relation to the investments in joint ventures and associates.

NOTES TO THE FINANCIAL STATEMENTS

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(All amounts in RMB Yuan unless otherwise stated)

9 SEGMENT INFORMATION

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

The Group identified 6 reportable segments as follows:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

9 SEGMENT INFORMATION (Continued)

(a) Segment information as at and for the year ended 31 December 2017 is as follows:

	Container handling and ancillary services	Metal ores, coal and other cargo handling and ancillary services	Liquid bulk handling and ancillary services	Logistics and port value-added services	Port ancillary services	Financial services	Unallocated	Elimination	Total
Revenue from external customers	234,824,683	3,045,091,693	551,692,265	4,155,865,756	2,138,274,636	421,285,476	—	—	10,547,034,509
Inter-segment revenue	—	118,358,641	—	217,715,422	686,709,385	58,913,415	—	(1,081,696,863)	—
Cost of sales	(69,523,369)	(2,380,031,445)	(152,527,397)	(2,627,558,791)	(1,584,744,544)	(84,784,949)	—	—	(6,899,170,495)
Interest income	—	3,174,544	1,922,547	12,858,275	3,004,756	189,740	196,909,275	(109,573,492)	108,485,645
Interest expenses	—	(40,980,544)	(63,891,068)	(5,660,253)	(13,824,168)	—	(113,553,283)	104,494,291	(133,415,025)
Investment income from associates and joint ventures	728,343,956	24,106,964	266,948,781	96,534,473	—	616,208	—	—	1,116,550,382
Provision for asset impairment losses	(233,080)	13,608,654	(1,826,879)	(5,502,321)	(61,365,524)	(34,087,895)	(49,875,000)	—	(139,282,045)
Depreciation and amortisation	(8,546,934)	(269,337,842)	(93,350,902)	(99,817,256)	(166,686,348)	(2,102,525)	(11,996,892)	—	(651,838,699)
Total profit	892,037,379	442,807,253	596,567,189	1,513,356,405	384,033,134	366,053,862	(158,568,107)	(45,497,295)	3,990,789,820
Income tax expenses	—	(3,594,130)	(41,010,350)	(291,349,710)	(34,151,289)	(90,226,822)	(290,859,791)	764,858	(750,427,234)
Net profit	892,037,379	439,213,123	555,556,839	1,222,006,695	349,881,845	275,827,040	(449,427,898)	(44,732,437)	3,240,362,586
Total assets	5,916,835,538	9,084,807,012	7,108,467,912	3,947,755,989	5,839,274,450	15,802,179,096	10,363,378,202	(10,009,045,787)	48,053,652,412
Total liabilities	57,410,000	3,415,927,723	3,689,138,679	1,319,071,962	6,654,199,423	14,244,348,801	3,842,764,708	(10,231,865,274)	22,990,996,022
Non-cash expenses other than depreciation and amortisation	—	41,030,000	2,040,000	5,770,000	29,830,000	—	—	—	78,670,000
Long-term equity investments in associates and joint ventures	5,466,698,805	1,177,306,963	1,481,248,210	322,371,543	—	90,616,208	—	—	8,538,241,729
Increase in non-current assets (i)	24,007,320	337,308,380	1,593,803,327	226,636,470	45,111,250	(39,440,000)	40,359,958	(18,163,598)	2,209,623,107

(i) Non-current assets are excluding financial assets, long-term equity investments and deferred tax assets.

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For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

9 SEGMENT INFORMATION (Continued)

(b) Segment information as at and for the year ended 31 December 2016 is as follows:

	Container handling and ancillary services	Metal ores, coal and other cargo handling and ancillary services	Liquid bulk handling and ancillary services	Logistics and port value-added services	Port ancillary services	Financial services	Unallocated	Elimination	Total
Revenue from external customers	192,631,867	2,838,490,967	127,832,701	3,385,348,533	2,119,961,543	326,347,137	—	—	8,990,612,748
Inter-segment revenue	—	78,957,798	—	162,644,900	727,314,268	27,891,239	—	(996,808,205)	—
Cost of sales	(65,817,305)	(2,158,171,925)	(29,613,781)	(2,178,748,756)	(1,619,547,464)	(54,203,520)	—	—	(6,106,102,751)
Interest income	—	2,689,352	659,783	10,577,703	2,966,218	265,548	120,239,486	(74,813,027)	62,585,063
Interest expenses	—	(18,020,157)	(4,158,695)	(3,327,216)	(4,283,808)	—	(95,325,680)	20,284,705	(104,830,851)
Investment income from associates and joint ventures	508,562,834	20,070,775	198,334,059	66,147,914	—	—	—	—	793,115,582
Provision for asset impairment losses	—	(26,009,224)	—	(651,442)	(7,540,726)	(10,958,570)	—	—	(45,159,962)
Depreciation and amortisation	(11,706,355)	(243,320,039)	(22,602,077)	(83,749,120)	(166,028,860)	(2,096,182)	(8,970,860)	—	(538,473,493)
Total profit	626,914,127	365,279,803	287,486,752	1,149,686,057	328,250,299	268,995,257	(107,113,115)	(54,884,917)	2,864,614,263
Income tax expenses	—	(4,034,541)	(128,231)	(206,675,010)	(49,232,449)	(63,668,627)	(251,630,993)	9,847,784	(565,522,067)
Net profit	626,914,127	361,245,262	287,358,521	943,011,047	279,017,850	205,326,630	(358,744,108)	(45,037,133)	2,299,092,196
Total assets	2,655,798,140	9,007,589,448	5,683,007,892	3,783,253,375	5,268,388,794	11,740,323,910	5,974,601,883	(5,830,389,236)	38,282,574,206
Total liabilities	65,930,000	3,372,943,094	2,857,693,074	1,227,202,045	6,865,117,764	10,695,724,344	4,516,521,673	(6,801,116,411)	22,800,015,583
Non-cash expenses other than depreciation and amortisation	—	50,030,000	50,000	1,350,000	26,740,000	20,000	—	—	78,190,000
Long-term equity investments in associates and joint ventures	2,086,528,844	970,862,239	1,590,261,514	401,387,203	—	90,000,000	—	—	5,139,039,800
Increase in non-current assets (i)	—	815,390,397	1,946,510,807	118,910,462	34,563,207	40,348,511	7,118,058	(47,371,558)	2,915,469,884

(i) Non-current assets exclude financial assets, long-term equity investments and deferred tax assets.

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For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

9 SEGMENT INFORMATION (Continued)

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

	2017	2016
Revenue -		
Reportable segment revenue from external customers	10,547,034,509	8,990,612,748
Reclassification of interest income of Qingdao Finance (i)	(400,809,467)	(306,423,082)
Consolidated revenue (Note 6(35))	<u>10,146,225,042</u>	<u>8,684,189,666</u>
Interest income -		
Reportable segment interest income	108,485,645	62,585,063
Reclassification of interest income of Qingdao Finance (i)	400,809,467	306,423,082
Consolidated interest income (Note 6(37))	<u>509,295,112</u>	<u>369,008,145</u>
Cost of sales -		
Reportable segment cost of sales	6,899,170,495	6,106,102,751
Reclassification of interest expenses of Qingdao Finance (ii)	(83,067,192)	(53,338,596)
Consolidated cost of sales (Note 6(35))	<u>6,816,103,303</u>	<u>6,052,764,155</u>
Interest expense -		
Reportable segment interest expenses	133,415,025	104,830,851
Reclassification of interest expenses of Qingdao Finance (ii)	83,067,192	53,338,596
Consolidated interest expenses (Note 6(37))	<u>216,482,217</u>	<u>158,169,447</u>

- (i) Reportable segment revenue from external customers includes interest income of Qingdao Finance, which is presented as finance expenses - interest income in the consolidated financial statements.
- (ii) Reportable segment cost of sales includes interest expenses of Qingdao Finance, which is presented as finance expenses - interest expense in the consolidated financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) The parent company

(a) General information of the parent company

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

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

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

	31 December 2016	Increase in the current year	Decrease in the current year	31 December 2017
Qingdao Port Group	1,860,000,000	—	—	1,860,000,000

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

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

(2) Subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(3) Information of joint ventures and associates

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

Name of company	Relationship with the Group
West United	Joint venture
Qingwei Container	Joint venture
Evergreen Container	Joint venture
Orient Container	Joint venture
Haiwan Liquid Chemical	Joint venture
Ganghai Logistics	Joint venture
Shenzhouxing Cargo Agency	Joint venture
China Shipping Agency	Joint venture
United Shipping Agency	Joint venture
Huaneng Qingdao	Joint venture
Dongjiakou IMC Logistics	Joint venture
QDOT	Joint venture
Linyi Express	Joint venture
Dongjiakou Sinotrans Logistics	Joint venture
Yuntai Logistics	Joint venture
Lianrong Logistics	Joint venture
Binzhou Port QDP International Terminal	Joint venture
Bonded Logistics Centre (i)	Former joint venture
Vopak Logistics (ii)	Former joint venture
Ganghua Logistics	Associate

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

(ii) On 5 May 2017, Vopak Logistics was transformed from a joint venture into a subsidiary of the Company. For the period from 1 January 2016 to the date of combination, the transactions between the Group and Vopak Logistics were still treated as related party transactions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(4) Information of other related parties

Name of company	Relationship with the Group
Qingdao Harbour Hospital Investment and management Co., Ltd. (“Harbour Hospital”)	Controlled by the same parent company
Qingdao Port (Group) Tongda Industrial Corporation (“Tongda Industrial”)	Controlled by the same parent company
Qingdao Harbour Vocational and Technical College (“QHVTC”)	Controlled by the same parent company
Qingdao Fuwai Cardiovascular Hospital Co., Ltd. (“Fuwai Hospital”)	Controlled by the same parent company
Qingdao Hongyu Grand Hotel (“Hongyu Hotel”)	Controlled by the same parent company
Qingdao Laoshan Scenic Spot Yingzhu Holiday Village	Controlled by the same parent company
Qingdao Port Investment Shipping Co., Ltd. (“QPIS”)	Controlled by the same parent company
Fund Management (i)	Controlled by the same parent company
Qingdao Leasing (i)	Controlled by the same parent company
Assets Management Company (i)	Controlled by the same parent company
Qingdao International Cruise Co., Ltd (“QD International Cruise”)	Controlled by the same parent company
Qingdao Sheng Gang Investment Co., Ltd. (“Shenggang Investment”)	Formerly controlled by the same parent company
Qingdao Port Micro Lending Co., Ltd.	Controlled by the same parent company
Qingdao Port Investment of Real Estate Co., Ltd. (“QDP Investment Real Estate”)	Controlled by the same parent company
Qingdao Financial Controlling	Controlled by the same parent company
Qingdao Port Public Security Bureau	Controlled by the same parent company
Qingdao Dongjiakou Railway Co., Ltd. (“Dongjiakou Railway”)	Controlled by the same parent company
Qingdao Port Investment and Construction (Group) Co., Ltd. (“QDP Investment Group”)	Controlled by the same parent company
Qingdao International Cruise Port Development & Construction Co., Ltd. (“QD Cruise Port Development”)	Controlled by the same parent company
Qingdao Qianwan Construction Development Group Co., Ltd. (“Qianwan Construction”)	Controlled by the same parent company
Qingdao Port (Shenzhen) Commercial Insurance Co., Ltd., (“QDP Commercial Insurance”)	Controlled by the same parent company
Shanghai China Shipping Terminal	Minority shareholder of the Company
Qingdao Cruise Home Port China Duty Free Goods Co., Ltd. (Cruise Home Port Duty Free Goods)	Associate of the parent company
Qingdao Gangsheng International Logistics and Refrigeration Co., Ltd. (“Gangsheng Logistics”)	Associate of the parent company

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(4) Information of other related parties (Continued)

Name of company	Relationship with the Group
Qingdao Cruise Home Port Development & Construction Co., Ltd.	Associate of the parent company
QQCTN	Subsidiary of QQCT, and sharing the same key management personnel with the Company
QQCTU	Joint venture of QQCTN, and sharing the same key management personnel with the Company
Qingdao Qianwan United Advanced Container Terminal Co., Ltd. (“QQCTUA”)	Joint venture of QQCTU, and sharing the same key management personnel with the Company
Qingdao Qianwan Intelligent Container Terminal Co., Ltd. (“QQCTI”)	Subsidiary of QQCTN, and sharing the same key management personnel with the Company
Qingdao Xi’an Xintong Logistics Co., Ltd. (“Xi’an Xintong”)	Joint venture of West United, and sharing the same key management personnel with the Company
Qingdao Dongjiakou Mineral Inspection Co., Ltd. (“Dongjiakou Mineral Inspection”)	Joint venture of QDOT, and sharing the same key management personnel with the Company
China Marine Bunker Qingdao Co., Ltd. (“China Marine Bunker Qingdao”)	Controlled by the shareholders who have a significant influence over the Group
China Qingdao Ocean Shipping Agency Co., Ltd. (“Qingdao Ocean Shipping Agency”)	Controlled by the shareholders who have a significant influence over the Group
Qingdao Ocean & Great Asia Logistics Co., Ltd. (“Ocean & Great Asia”)	Controlled by the shareholders who have a significant influence over the Group
Shanghai Pan-Asia Shipping Co., Ltd. (“Shanghai Pan-Asia Shipping”)	Controlled by the shareholders who have a significant influence over the Group
COSCO Shipping Lines Co., Ltd. (“COSCO Shipping Lines”)	Controlled by the shareholders who have a significant influence over the Group
COSCO Shipping Customs Clearance (Qingdao) Co., Ltd. (“COSCO Shipping Customs Clearance”)	Controlled by the shareholders who have a significant influence over the Group
Qingdao Zhongran Industrial Co., Ltd. (“Zhongran Industrial”)	Controlled by the shareholders who have a significant influence over the Group
COSCO Shipping Logistics (Henan) Co., Ltd. (“COSCO Shipping Logistics (Henan)”)	Controlled by the shareholders who have a significant influence over the Group
COSCO Shipping Lines (Qingdao) Co., Ltd. (“COSCO Shipping Lines Qingdao”)	Controlled by the shareholders who have a significant influence over the Group
COSCO Qingdao Container Shipping Agency Co., Ltd. (“COSCO Container Shipping”)	Controlled by the shareholders who have a significant influence over the Group
COSCO Shipping Agency Co., Ltd. (“COSCO Shipping Agency”)	Controlled by the shareholders who have a significant influence over the Group
China Shipping Container Lines (Qingdao) Co., Ltd. (“China Shipping Container”)	Controlled by the shareholders who have a significant influence over the Group

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For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(4) Information of other related parties (Continued)

Name of company	Relationship with the Group
COSCO Shipping Qingdao International Freight Co., Ltd. (“COSCO Shipping Freight”)	Controlled by the shareholders who have a significant influence over the Group
COSCO Shipping Logistics (Qingdao) Co., Ltd. (“COSCO Shipping Logistics”)	Controlled by the shareholders who have a significant influence over the Group
Qingdao Ocean & Great Asia Bonded Logistics Co., Ltd. (“Ocean & Great Asia Bonded Logistics”)	Controlled by the shareholders who have a significant influence over the Group
Qingdao Xin Dong Fang Container Storage & Transportation Co., Ltd. (“Xin Dong Fang Container”)	Controlled by the shareholders who have a significant influence over the Group
Qingdao Penavico Customs Clearance Co., Ltd. (“Penavico Customs Clearance”)	Controlled by the shareholders who have a significant influence over the Group
Xinxinhai Shipping Co., Ltd. (“Xinxinhai Shipping”)	Controlled by the shareholders who have a significant influence over the Group
COSCO Shipping Logistics Co., Ltd.	Controlled by the shareholders who have a significant influence over the Group
China Marine Bunker YINDA Qingdao Co., Ltd.	Controlled by the shareholders who have a significant influence over the Group
Qingdao Gangwan International Logistics Co., Ltd. (“Gangwan Logistics”)	Controlled by the shareholders who have a significant influence over the Group
COSCO Weizhi Container Logistics (Shanghai) Co. Ltd. (“Weizhi Logistics”)	Controlled by the shareholders who have a significant influence over the Group

- (i) In 2017, the Company disposed its 100% equity interests of Fund Management, Asset Management Company and Qingdao Leasing. After the disposal, the companies mentioned above were transformed into subsidiaries of Qingdao Port Group (Note 7 (3)). From date of disposal to 31 December 2017, the transactions between the Group and these companies were related party transactions.
- (ii) In 2017, the Company’s parent Qingdao Port Group disposed its equity interests in Shenggang Investment. After the disposal, Shenggang Investment was not the related party of the Group. From 1 January 2017 to the date of disposal, the transactions between the Group and Shenggang Investment were related party transactions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions

(a) Pricing policies

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

(b) Purchase of goods or services

	2017	2016
QDOT	575,610,772	495,572,215
China Marine Bunker Qingdao	143,885,202	97,603,870
West United	110,230,411	77,784,550
Huaneng Qingdao	27,899,696	36,233,496
Qingdao Shihua	24,872,340	8,788,590
Hongyu Hotel	9,501,111	4,533,236
Fuwai Hospital	8,174,948	5,980,314
QQCTU	7,360,266	18,775,460
Shanghai Pan-Asia Shipping	6,860,704	—
QDP Investment Group	4,975,094	1,620,295
COSCO Shipping Lines Qingdao	1,857,604	—
QQCT	1,759,366	8,093,902
Xi'an Xintong	820,513	20,678
Qingdao Ocean Shipping Agency	787,952	—
Dongjiakou Mineral Inspection	748,271	652,757
Bonded Logistics Centre	—	5,340,579
Others	3,243,959	5,521,988
	928,588,209	766,521,930

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

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

	2017	2016
QQCT	251,723,089	210,940,985
Qingdao Ocean Shipping Agency	115,568,357	105,009,832
Qingdao Shihua	112,220,440	76,333,937
QQCTU	79,843,016	71,674,435
QDOT	78,800,124	98,260,121
Dongjiakou IMC Logistics	77,542,329	849,266
Ocean & Great Asia	45,187,251	32,967,531
QQCTN	35,130,626	11,850,891
Shenzhouxing Cargo Agency	35,012,848	13,319,986
QQCTUA	33,631,629	26,833,225
COSCO Shipping Lines Qingdao	31,664,629	7,652,823
QDP Investment Group	24,761,259	11,589,961
Qingdao Port Group	23,127,289	33,880,366
Evergreen Container	21,790,730	15,702,061
COSCO Shipping Lines	17,244,463	288,118
Shanghai Pan-Asia Shipping	10,810,143	7,216
Lianrong Logistics	10,388,648	4,390,151
Orient Container	10,327,850	6,732,097
Binzhou Port QDP International Terminal	10,297,654	9,318,433
West United	8,511,308	9,738,040
Yuntai Logistics	6,061,578	2,905,988
Ganghua Logistics	5,204,069	20,541,750
Xinxinhai Shipping	3,506,730	—
Ganghai Logistics	3,036,121	2,271,604
QD Cruise Port Development	2,321,068	8,241,309
Haiwan Liquid Chemical	2,076,381	794,679
Xi'an Xintong	1,803,441	—
Fuwai Hospital	1,222,900	982,935
COSCO Shipping Agency	1,162,612	—
Dongjiakou Mineral Inspection	1,053,196	32,998
Qingwei Container	1,021,364	149,057
COSCO Shipping Logistics	972,202	—
COSCO Shipping Freight	918,556	1,837,165
Huaneng Qingdao	822,392	910,111
COSCO Container Shipping Agency	262,915	10,891,543
United Shipping Agency	226,870	253,003
QQCTI	6,127	2,449,962
Bonded Logistics Centre	—	4,778,734
Others	7,064,207	3,999,603
	1,072,326,411	808,379,916

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(d) Provision of construction services

	2017	2016
QDOT	241,367,974	199,207,458
QQCTN	225,506,506	346,833,999
QDP Investment Group	90,482,596	143,661,660
West United	38,870,754	29,833,225
Qingdao Port Group	36,748,867	47,682,147
QHVTC	35,289,781	34,057,384
QQCTU	33,862,629	16,051,170
Haiwan Liquid Chemical	23,331,379	9,957,886
QQCT	21,820,341	11,114,588
Fuwai Hospital	20,776,776	13,381,643
QDP Investment Real Estate	18,443,087	—
Qingdao Shihua	13,495,305	20,066,519
Orient Container	1,072,998	—
Binzhou Port QDP International Terminal	—	1,459,459
Others	2,750,458	732,120
	803,819,451	874,039,258

(e) Sales of port machinery and other machineries

	2017	2016
QDOT	106,152,230	4,707,447
QQCT	78,244,461	17,672,608
QQCTN	62,685,459	169,924,342
QQCTU	788,079	1,039,316
Qingdao Shihua	512,821	683,761
West United	—	5,018,803
QHVTC	—	1,931,624
Others	407,162	839,316
	248,790,212	201,817,217

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For the year ended 31 December 2017
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10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

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

	2017	2016
QQCT	131,829,484	127,119,419
QDOT	118,105,052	111,604,735
QQCTUA	14,379,311	675,192
West United	12,909,422	15,311,836
Qingdao Shihua	9,380,839	12,519,653
QQCTN	9,346,478	11,960,284
QQCTU	6,641,548	5,345,365
Evergreen Container	3,801,631	3,483,927
Qingdao Port Group	3,289,879	681,341
Shenzhouxing Cargo Agency	3,281,456	1,387,259
QD Cruise Port Development	2,992,680	2,878,436
Orient Container	2,363,789	1,986,120
QDP Investment Group	2,237,912	1,947,820
QD International Cruise	2,093,990	—
Huaneng Qingdao	1,892,742	1,935,784
Haiwan Liquid Chemical	1,416,493	1,718,075
Qingdao Port Public Security Bureau	1,150,193	1,297,129
Binzhou Port QDP International Terminal	15,479	4,257,150
Others	4,853,106	5,153,247
	<u>331,981,484</u>	<u>311,262,772</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(g) Rental income

	2017	2016
Qingdao Shihua	354,013,351	31,507,424
QQCT	229,062,846	201,342,254
QDOT	31,805,018	11,922,344
Shenzhouxing Cargo Agency	16,447,716	5,622,499
QQCTU	9,362,741	1,210,360
Evergreen Container	9,221,091	6,870,679
Orient Container	6,131,729	6,085,400
Ocean & Great Asia	5,774,381	5,898,064
Binzhou Port QDP International Terminal	5,522,709	—
West United	5,418,947	491,429
Gangwan Logistics	5,317,211	—
Xin Dong Fang Container	3,879,063	—
Lianrong Logistics	3,306,695	—
QQCTN	2,642,017	2,575,350
QQCTUA	2,438,095	—
Bonded Logistics Centre	—	7,892,063
Others	742,844	416,608
	691,086,454	281,834,474

(h) Payment for operating lease rental

	2017	2016
Qingdao Port Group	74,555,593	70,552,058
QQCTU	5,384,713	—
QDP Investment Group	4,155,903	4,974,897
West United	3,301,887	—
QQCT	1,256,915	—
Ocean & Great Asia	380,000	—
	89,035,011	75,526,955

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(i) Port management income collected by related parties on behalf of the Company

	2017	2016
Qingdao Shihua	102,273,578	68,902,867
QQCT	84,692,918	79,325,215
QQCTU	27,717,728	28,911,870
QDOT	8,268,161	9,359,640
West United	6,388,217	6,063,884
QQCTUA	5,684,166	5,900,844
QQCTN	3,559,200	—
	<u>238,583,968</u>	<u>198,464,320</u>

(j) Provision of loans

	2017	2016
QQCT	930,362,342	—
QDOT	288,065,035	968,778,162
QQCTN	255,000,000	638,138,644
Fuwai Hospital	203,000,000	47,206,828
Qingdao Leasing	159,000,000	—
QQCTU	110,000,000	675,000,000
Haiwan Liquid Chemical	68,339,820	64,927,814
Huaneng Qingdao	60,000,000	60,000,000
Yantai Logistics	60,000,000	10,000,000
West United	46,000,000	140,000,000
Qingwei Container	—	160,000,000
	<u>2,179,767,197</u>	<u>2,764,051,448</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(k) Interest income of loans provided

	2017	2016
QQCTU	68,015,638	70,756,167
QQCTN	41,229,711	29,764,395
QDOT	41,134,620	35,157,037
QQCT	18,283,559	—
West United	8,289,344	12,843,294
Fuwai Hospital	6,331,143	656,678
Qingwei Container	5,709,802	1,336,249
Haiwan Liquid Chemical	4,791,651	1,023,197
Qingdao Leasing	4,081,449	—
Yuntai Logistics	2,858,302	1,642,103
Huaneng Qingdao	889,651	2,605,125
Qingdao Shihua	—	2,527,167
	<u>201,614,870</u>	<u>158,311,412</u>

(l) Interest expenses for customer deposits and borrowing

	2017	2016
Qingdao Port Group	46,978,555	31,237,899
QQCT	12,177,411	9,146,881
Qingdao Leasing	8,467,533	—
Qingdao Shihua	3,838,714	1,065,547
QQCTN	3,643,042	575,745
Dongjiakou IMC Logistics	2,722,951	239,147
QQCTI	2,392,429	1,159,503
Qingdao Financial Controlling	1,893,799	—
QDP Investment Group	1,455,389	1,191,767
Fuwai Hospital	1,128,445	1,219,707
QD Cruise Port Development	998,056	1,032,723
QQCTU	866,262	2,159,566
QQCTUA	582,734	458,903
Ganghua Logistics	450,582	495,454
Others	3,122,645	3,193,539
	<u>90,718,547</u>	<u>53,176,381</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(m) Purchase of assets

	2017	2016
Qingdao Port Group	305,289,966	—
QDP Investment Group	216,750,903	61,003,058
QQCT	18,080,920	—
	<u>540,121,789</u>	<u>61,003,058</u>

(n) Loans acquired from related parties

	2017	2016
Qingdao Leasing	54,872,888	—
QDP Commercial Insurance	7,980,000	—
	<u>62,852,888</u>	<u>—</u>

(o) Transfer of assets

	2017	2016
QDOT	385,742,778	5,370,945
Fuwai Hospital	—	150,303
Qingdao Shihua	—	144,935
	<u>385,742,778</u>	<u>5,666,183</u>

(p) Remuneration of key management

	2017	2016
Remuneration of key management	<u>8,071,770</u>	<u>4,743,083</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(q) Entrusted construction project for related parties

	2017	2016
Amount paid on behalf to external parties		
Qingdao Port Group	27,876,295	138,490,913
Qingdao Shihua	13,430,471	5,908,710
QQCTN	9,757,126	8,185,750
QQCTU	—	1,876,488
	<u>51,063,892</u>	<u>154,461,861</u>
Amount received from related parties-		
Qingdao Port Group	32,248,023	157,327,521
QQCTN	26,638,182	11,620,194
Qingdao Shihua	17,683,500	1,366,430
QQCTU	—	4,536,219
	<u>76,569,705</u>	<u>174,850,364</u>

(r) Port construction fees, harbour dues and port facility security expenses received and paid on behalf of related parties

	2017	2016
Funds received under the entrustment of related parties -		
QQCT	598,087,327	559,036,038
QQCTU	222,502,879	217,023,640
QQCTUA	40,728,837	45,908,108
QQCTN	14,056,663	—
	<u>875,375,706</u>	<u>821,967,786</u>
Funds paid to related parties -		
QQCT	597,891,017	557,609,056
QQCTU	220,762,446	220,385,464
QQCTUA	41,071,147	44,918,750
QQCTN	13,021,505	—
	<u>872,746,115</u>	<u>822,913,270</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

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

In 2017, the Group paid early retirement and supplemental retirement benefits of RMB 2,624,347 on behalf of Qingdao Port Group, while the recognised early retirement and supplemental retirement benefit liabilities of RMB 1,066,314 were transferred to the Group by Qingdao Port Group to further deduct the debts owned by the Group to Qingdao Port Group (2016: RMB 4,392,860).

In the coming years, the Group will manage these early retired and retired employees on behalf of Qingdao Port Group and bear relevant payment to such employees. Payables within one year are listed in other payables, otherwise are recorded in long-term payables (Note 6(26)).

(t) Purchase of 20% equity of QQCT and disposal of Fund Management, Assets Management Company and Qingdao Leasing

On 22 May 2017, the Group purchased 20% equity interest of QQCT from Shanghai China Shipping Terminal at price of RMB 3,198,650,840. Please refer to Note 6(9) for relevant disclosures.

On 17 April 2017, the Group disposed the Fund Management to Qingdao Port Group with a disposal price of RMB 2,918,423. Please refer to Note 7(2) for relevant disclosures.

On 10 August 2017, the Group disposed the Assets Management Company to Qingdao Financial Controlling with a disposal price of RMB 177,088,324. Please refer to Note 7(2) for relevant disclosures.

On 19 September 2017, the Group disposed Qingdao Leasing to Qingdao Port Financial Holding Co., Ltd and its subsidiary Qingdao Port Fund Management (Hong Kong) Co., Ltd. with a total disposal price of RMB 277,614,904. Please refer to Note 7(2) for relevant disclosures.

(u) Other amounts collected and paid on behalf of related parties

The Company's subsidiary Qingdao Finance issue acceptance notes on behalf of related parties is set out in Note 11(4).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties

(a) Accounts receivable

	31 December 2017		31 December 2016	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QQCTN	467,883,993	(23,394,200)	2,122,293	—
QDOT	164,635,761	(8,494,253)	38,684,920	—
Qingdao Port Group	125,094,761	(6,323,428)	16,919,513	—
West United	42,053,928	(2,127,696)	53,492,159	—
QDP Investment Group	41,359,511	(2,067,976)	62,946,849	—
QQCTU	40,293,409	(2,132,610)	26,077,947	—
QQCT	35,396,802	(1,778,878)	18,685,778	—
Fuwai Hospital	18,288,627	(914,431)	7,696,575	—
Haiwan Liquid Chemical	14,233,498	(711,675)	4,353,033	—
QDP Investment Real Estate	11,387,186	(1,052,908)	—	—
Qingdao Shihua	11,188,777	(559,439)	10,417,290	—
Dongjiakou IMC Logistics	8,122,909	(406,145)	975,513	—
Shenzhouxing Cargo Agency	7,045,519	(352,276)	1,739,076	—
Ocean & Great Asia	5,009,010	(250,451)	2,531,560	—
QQCTUA	3,993,738	(202,312)	1,072,766	—
Evergreen Container	3,200,000	(160,000)	2,600,273	—
Orient Container	2,883,559	(144,178)	1,011,725	—
Shanghai Pan-Asia Shipping	2,045,001	(102,250)	442,604	—
QD International Cruise	1,934,070	(96,703)	—	—
COSCO Shipping Lines	1,485,195	(74,260)	—	—
Lianrong Logistics	1,460,489	(73,024)	585,644	—
COSCO Shipping Lines Qingdao	992,497	(49,625)	476,936	—
Binzhou Port QDP				
International Terminal	350,000	(17,500)	2,283,800	—
COSCO Container				
Shipping agency	—	—	1,794,894	—
Others	2,155,881	(107,793)	3,202,132	—
	1,012,494,121	(51,594,011)	260,113,280	—

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For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

(b) Advance to suppliers

	31 December 2017	31 December 2016
Shanghai Pan-Asia Shipping	5,088,091	—
QQCTU	3,131,429	—
West United	2,000,000	—
QQCT	969,635	—
COSCO Shipping Lines Qingdao	756,055	—
Hongyu Hotel	286,000	308,000
Qingdao Ocean Shipping Agency	261,087	214,113
Ocean & Great Asia	4,630	—
United Shipping Agency	1,340	—
	<u>12,498,267</u>	<u>522,113</u>

(c) Dividends receivable

	31 December 2017	31 December 2016
Qingdao Shihua	—	100,000,000
	<u>—</u>	<u>100,000,000</u>

(d) Interest receivable

	31 December 2017	31 December 2016
QQCTU	2,262,597	2,166,198
QQCTN	1,360,604	1,303,648
QQCT	1,306,250	—
QDOT	1,079,388	993,014
Qingdao Leasing	339,088	—
Fuwai Hospital	284,845	—
Others	625,419	655,090
	<u>7,258,191</u>	<u>5,117,950</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

(e) Other receivables

	31 December 2017		31 December 2016	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Provision of loans				
QDOT	147,472,878	(2,380,732)	151,451,402	(800,000)
QQCTU	110,000,000	(2,250,000)	—	—
Fuwai Hospital	69,000,000	(1,725,000)	—	—
Huaneng Qingdao	60,000,000	(1,500,000)	60,000,000	—
Yuntai Logistics	60,000,000	(1,500,000)	10,000,000	(200,000)
West United	46,000,000	(1,150,000)	40,000,000	(800,000)
QQCTN	—	—	39,858,274	(996,457)
Haiwan Liquid Chemical	—	—	902,400	(18,048)
	<u>492,472,878</u>	<u>(10,505,732)</u>	<u>302,212,076</u>	<u>(2,814,505)</u>
Others-				
QDOT	226,003,198	(11,300,160)	14,579,322	—
West United	8,242,308	(412,115)	4,107,478	—
QQCTU	7,000,243	(355,825)	9,745,323	—
Xin Dong Fang Container	3,097,126	(154,856)	—	—
Dongjiakou IMC Logistics	2,606,329	(130,316)	—	—
Qingdao Shihua	2,010,923	(100,546)	13,878,327	—
Binzhou Port QDP				
International Terminal	1,971,652	(98,583)	3,480,866	—
QHVTC	1,345,350	(67,268)	1,021,821	—
Fuwai Hospital	728,438	(36,422)	1,208,887	—
QDP Investment Group	689,679	(37,976)	951,309	—
QQCTN	468,416	(23,421)	180,473,154	—
Shenzhouxing Cargo Agency	399,241	(19,962)	1,354,819	—
QQCT	260,980	(13,049)	12,276,762	—
Others	3,161,697	(158,086)	3,187,575	—
	<u>257,985,580</u>	<u>(12,908,585)</u>	<u>246,265,643</u>	<u>—</u>
	<u>750,458,458</u>	<u>(23,414,317)</u>	<u>548,477,719</u>	<u>(2,814,505)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

(f) Current portion of non-current assets

	31 December 2017		31 December 2016	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QQCTN	204,450,000	(5,111,250)	199,940,000	(4,998,500)
QQCTU	50,000,000	(1,250,000)	35,000,000	(700,000)
Qingdao Leasing	24,718,620	(617,966)	—	—
Qingwei Container	20,000,000	(400,000)	32,000,000	(400,000)
Yuntai Logistics	16,500,000	(412,500)	7,200,000	(144,000)
Haiwan Liquid Chemical	5,744,208	(143,605)	863,711	(15,400)
QDOT	3,000,000	(75,000)	22,881,331	(30,000)
West United	2,000,000	(50,000)	6,500,000	(130,000)
Fuwai Hospital	500,000	(12,500)	4,048,618	—
	326,912,828	(8,072,821)	308,433,660	(6,417,900)

(g) Long-term receivables

	31 December 2017		31 December 2016	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QQCTU	1,415,000,000	(35,375,000)	1,525,000,000	(17,000,000)
QQCT	900,000,000	(9,000,000)	—	—
QDOT	715,000,000	(17,875,000)	892,522,064	(3,960,000)
QQCTN	693,000,000	(17,325,000)	661,530,000	(5,538,250)
Qingdao Leasing	358,411,356	(8,960,284)	—	—
Fuwai Hospital	133,400,000	(3,335,000)	35,157,943	—
Haiwan Liquid Chemical	124,090,000	(3,102,250)	63,010,000	(1,262,074)
Qingwei Container	85,000,000	(1,700,000)	130,000,000	(2,600,000)
West United	67,000,000	(1,675,000)	190,500,000	(2,450,000)
Yuntai Logistics	—	—	16,500,000	(330,000)
	4,490,901,356	(98,347,534)	3,514,220,007	(33,140,324)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

(h) Short-term borrowings

	31 December 2017	31 December 2016
QDP Commercial Insurance	7,980,000	—

(i) Notes payable

	31 December 2017	31 December 2016
QDOT	13,000,000	—
Qingdao Port Group	—	42,677,298
	13,000,000	42,677,298

(j) Accounts payable

	31 December 2017	31 December 2016
QDOT	155,727,086	146,188,371
Huaneng Qingdao	5,607,864	12,692,154
China Marine Bunker Qingdao	2,677,500	—
West United	2,546,408	979,547
QQCTU	1,737,619	58,958
QDP Investment Group	1,161,323	59,327
Xi'an Xintong	960,000	24,194
Others	1,999,385	1,252,852
	172,417,185	161,255,403

(k) Advances from customers

	31 December 2017	31 December 2016
QQCT	197,421,375	197,421,375
QQCTN	3,767,260	2,518,940
Ganghua Logistics	3,747,711	35
Qingdao Shihua	2,758,994	2,220,000
Qingdao Port Group	2,345,044	—
QQCTU	1,315,360	1,210,360
Orient Container	721,067	348,857
Others	1,722,609	860,643
	213,799,420	204,580,210

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

(i) Other payables

	31 December 2017	31 December 2016
Customer deposits -		
Qingdao Port Group	4,490,188,308	4,576,904,990
QQCT	860,227,540	1,097,910,462
Qingdao Financial Controlling	766,558,934	—
QQCTN	608,560,417	126,762,922
Qingdao Shihua	382,959,371	236,976,525
QQCTI	176,365,357	173,406,171
QQCTU	147,983,955	123,366,873
Fuwai Hospital	83,122,218	81,536,416
QDP Investment Group	77,795,529	119,900,476
Dongjiakou IMC Logistics	71,181,977	34,411,418
QD Cruise Port Development	59,639,793	73,130,534
Qingdao Leasing	58,617,263	—
Ganghai Logistics	54,878,212	29,336,470
QHVTC	48,865,706	78,184,162
West United	47,862,018	26,657,970
Assets Management Company	41,911,082	—
QDP Investment Real Estate	32,415,334	—
Ganghua Logistics	26,988,951	27,963,101
QQCTUA	26,501,479	36,321,405
QDOT	22,502,834	3,111,243
Qianwan Construction	20,731,148	—
Lianrong Logistics	18,969,324	9,062,602
Yuntai Logistics	18,231,092	21,768,900
Orient Container	17,097,029	17,000,000
Gangsheng Logistics	15,525,615	15,346,707
Evergreen Container	12,897,195	12,368,276
QDP Commercial Insurance	10,745,202	—
QD International Cruise	10,014,705	—
Harbour Hospital	3,596,085	3,611,199
Haiwan Liquid Chemical	2,388,238	3,001,962
Dongjiakou Mineral Inspection	1,879,691	71,995
Hongyu Hotel	1,727,608	1,634,269
Fund Management	1,606,722	—
Tongda Industrial	1,572,912	2,194,453
Dongjiakou Sinotrans Logistics	724,118	28,202,253
Vopak Logistics	—	2,453,127
Others	2,751,301	2,995,673
	8,225,584,263	6,965,592,554

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

(l) Other payables

	31 December 2017	31 December 2016
Others -		
QDP Investment Group	104,707,542	105,572,895
QQCTN	31,601,434	—
QQCT	24,086,715	12,607,844
QQCTU	5,973,114	5,115,517
Ocean & Great Asia	2,319,512	—
QDP Investment Real Estate	1,112,948	177,935
QQCTUA	562,528	959,358
United Shipping Agency	500,000	500,000
China Shipping Agency	500,000	500,000
Evergreen Container	289,617	92,511
Qingdao Shihua	178,968	7,961,383
Qingdao Port Group	—	481,294,157
Others	1,290,009	1,196,409
	<u>173,122,387</u>	<u>615,978,009</u>
	<u>8,398,706,650</u>	<u>7,581,570,563</u>

(m) Interest payable

	31 December 2017	31 December 2016
Qingdao Port Group	12,702,683	21,672,937
QQCT	7,655,009	5,181,543
QQCTI	2,783,716	455,430
QQCTN	2,169,661	56,321
Qingdao Shihua	2,059,749	77,273
Qingdao Financial Controlling	720,637	—
Fuwai Hospital	343,133	351,213
QD Cruise Port Development	333,382	643,856
Ganghua Logistics	178,680	127,192
Orient Container	166,603	11,787
Harbour Hospital	96,929	49,737
Lianrong Logistics	80,032	1,368
QD International Cruise	71,778	—
Ganghai Logistics	63,113	90,409
Others	302,922	354,781
	<u>29,728,027</u>	<u>29,073,847</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

(n) Other non-current liabilities

	31 December 2017	31 December 2016
QQCT	3,013,193,560	3,210,614,935
QQCTN	52,897,740	55,416,680
QQCTU	16,138,133	17,348,493
Qingdao Shihua	—	2,220,000
	<u>3,082,229,433</u>	<u>3,285,600,108</u>

(o) Current portion of non-current liabilities

	31 December 2017	31 December 2016
Qingdao Leasing	<u>11,262,064</u>	<u>—</u>

(p) Long-term payables

	31 December 2017	31 December 2016
Qingdao Leasing	<u>528,982,387</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(7) Commitments in relation to related parties

Except for the Port Facilities in Qianwan port area leased out to QQCT and dock basin leased to QQCTN and QQCTU stated in Note 6(29), the commitments in relation to related parties contracted for but not yet necessary to be recognised on the balance sheet by the Group as at the balance sheet date are as follows:

Leases - Lessee

	31 December 2017	31 December 2016
QQCT	<u>3,600,000</u>	<u>—</u>

Leases - Lessor

	31 December 2017	31 December 2016
QQCT	415,445,000	429,150,000
Binzhou Port QDP International Terminal	6,498,000	—
Evergreen Container	36,000	—
Shenzhouxing Cargo Agency	—	4,267,680
	<u>421,979,000</u>	<u>433,417,680</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(8) Benefits and interests of directors

(a) Directors' and CEO's emoluments

The remuneration of every director, supervisor and CEO for the year ended 31 December 2017 are set out below:

Name	Emoluments in respect of a person's services as a director				Emoluments in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking	Total
	Fees	Salary and allowance	Social pension	Bonus		
Executive directors:						
Zheng Minghui	—	—	—	—	—	—
Jiao Guangjun (Chief Executive Officer)	—	171,377	67,346	1,603,694	—	1,842,417
Jiang Chunfeng	—	323,246	67,346	660,000	—	1,050,592
Non-executive Directors:						
Cheng Xinnong	—	—	—	—	—	—
Zhang Qingcai(i)	—	—	—	—	—	—
Zhang Wei (ii)	—	—	—	—	—	—
Ma Baoliang	—	171,377	67,346	1,603,694	—	1,842,417
Independent Non-executive Directors:						
Wang Yaping	207,096	—	—	—	—	207,096
Zou Guoqiang	261,534	—	—	—	—	261,534
Yang Qiulin	207,096	—	—	—	—	207,096
Supervisors:						
Fu Xinmin	—	—	—	—	—	—
Chi Dianmou	—	—	—	—	—	—
Xue Qingxia	—	294,586	67,346	309,500	—	671,432
Liu Yuping	—	324,831	67,346	49,400	—	441,577
Li Xuxiu	103,412	—	—	—	—	103,412
Liu Dengqing	103,412	—	—	—	—	103,412
	<u>882,550</u>	<u>1,285,417</u>	<u>336,730</u>	<u>4,226,288</u>	<u>—</u>	<u>6,730,985</u>

(i) Resigned from director on 28 June 2017.

(ii) Appointed as director on 28 June 2017.

For the year ended 31 December 2017, the directors (including Jiao Guangjun and Jiang Chunfeng) have provided management services in connection with the management of the affairs of the Group. As the emoluments as directors and other services can't be distinguished from each other, emoluments as both of the roles are combined disclosed together.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(8) Benefits and interests of directors (Continued)

(a) Directors' and CEO's emoluments (Continued)

The remuneration of every director, supervisor and CEO for the year ended 31 December 2016 are set out below:

Name	Emoluments in respect of a person's services as a director				Emoluments in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking	Total
	Fees	Salary and allowance	Social pension	Bonus		
Executive directors:						
Zheng Minghui	—	—	—	—	—	—
Jiao Guangjun (Chief Executive Officer)	—	139,811	48,502	—	—	188,313
Jiang Chunfeng	—	270,503	48,502	654,200	—	973,205
Non-executive Directors:						
Cheng Xinnong	—	—	—	—	—	—
Sun Yafei (i)	—	—	—	—	—	—
Zhang Qingcai (ii)	—	—	—	—	—	—
Ma Baoliang	—	140,261	48,502	—	—	188,763
Independent Non-executive Directors:						
Wang Yaping	228,776	—	—	—	—	228,776
Zou Guoqiang	278,649	—	—	—	—	278,649
Yang Qiulin	259,838	—	—	—	—	259,838
Supervisors						
Fu Xinmin	—	—	—	—	—	—
Chi Dianmou	—	—	—	—	—	—
Xue Qingxia	—	287,370	48,502	270,600	—	606,472
Liu Yuping	—	319,956	48,502	33,600	—	402,058
Li Xuxiu	130,613	—	—	—	—	130,613
Liu Dengqing	130,613	—	—	—	—	130,613
	<u>1,028,489</u>	<u>1,157,901</u>	<u>242,510</u>	<u>958,400</u>	<u>—</u>	<u>3,387,300</u>

(i) Resigned from director on 6 June 2016.

(ii) Appointed as director on 6 June 2016.

For the year ended 31 December 2016, the directors (including Jiao Guangjun and Jiang Chunfeng) have provided management services in connection with the management of the affairs of the Group. As the emoluments as directors and other services can't be distinguished from each other, emoluments as both of the roles are combined disclosed together.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(8) Benefits and interests of directors (Continued)

- (b) In 2017, there were no termination benefits for the directors (2016: Nil).
- (c) In 2017, there was no consideration provided to third parties for making available directors' services (2016: Nil).
- (d) In 2017, there were no loans and quasi-loans in favour of directors, controlled body corporate of directors, and connected entities of directors, and no guarantee or security provided to directors, controlled body corporate of directors, and connected entities of directors (2016: Nil).
- (e) No significant transactions, arrangements and contracts in related to the group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted in 2017 (2016: Nil).

(9) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group in 2017 include 3 (2016: 3) directors whose emoluments are reflected in the analysis shown in the table above. The emoluments payable to the remaining 2 (2016: 2) individuals during the year are as follows:

	2017	2016
Salary and allowance	504,294	478,936
Social security contributions	134,691	76,795
Bonus	1,584,349	800,050
	<u>2,223,334</u>	<u>1,355,781</u>

	Number of individuals	
	2017	2016
Emolument bands:		
HKD 0 - 1,000,000 (RMB 0 - 900,000, approximately)	—	1
HKD 1,000,000 - 1,500,000 (RMB 900,000 - 1,350,000, approximately)	2	1
	<u>2</u>	<u>2</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(10) Off-balance sheet activities

As entrusted by related parties, the Company's subsidiary, Qingdao Finance, offers entrusted loans to other designated related parties. In 2017, principal of new entrusted loan business offered by Qingdao Finance amounts to RMB 178,000,000 (2016: RMB 295,000,000). As at 31 December 2017, entrusted loans amounted to RMB 1,509,343,470 (31 December 2016: RMB1,677,343,470). Maturity of entrusted loans aforesaid ranged from 1 year to 10 years. If the principal and interest of entrusted loans cannot be recovered, the risk is borne by the entrusted loan fund provider rather than Qingdao Finance. Entrusted loans aforesaid are classified into off-balance sheet items. Therefore, related balances of receivable and payable are not recognised in the consolidated financial statements. Management are of the view that the entrusted loans arrangement aforesaid will not expose the Group to any significant credit risk.

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

11 COMMITMENTS

(1) Capital commitments

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

	31 December 2017	31 December 2016
Terminal facilities and others	<u>448,531,524</u>	<u>215,627,269</u>

(2) Operating lease commitments

(a) Operating lease commitments as lessee

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

	31 December 2017	31 December 2016
Within 1 year	8,202,452	10,351,152
1 to 2 years	7,944,802	7,998,802
2 to 3 years	7,936,402	7,998,802
Over 3 years	7,245,469	11,266,770
	<u>31,329,125</u>	<u>37,615,526</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
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11 COMMITMENTS (Continued)

(2) Operating lease commitments (Continued)

(b) Operating lease commitments as lessor

Except for the operating lease commitments as lessor mentioned in Note 6(29), the future leases received due under the signed irrevocable operating leases contracts are summarised as follows:

	31 December 2017	31 December 2016
Within 1 year	35,831,571	47,497,564
1 to 2 years	31,552,000	30,919,496
2 to 3 years	29,699,000	29,567,267
Over 3 years	329,015,000	353,393,322
	426,097,571	461,377,649

(3) Investment commitments

In accordance with the joint investment agreement signed between the Group and Binzhou Port Group Co., Ltd. dated December 2014, the Group is committed to making an investment of RMB 25,000,000 in the joint venture, Binzhou Port QDP International Terminal. As at 31 December 2017, the Company has made an accumulated contribution of RMB 4,000,000 with an amount of RMB 21,000,000 unpaid.

In accordance with the agreement signed by the Group, APM Terminals B.V. and Vado Investment in October 2016, the Group is committed to making an investment of EUR 1,745,370 to acquire 16.5% equity interests of Vado Investment from APM Terminals B.V., and making an investment of EUR 14,077,800 in Vado Investment at equal proportion, with EUR 15,823,170 in total. As at 31 December 2017, the increased capital unpaid was EUR 5,692,870.

In accordance with the agreement signed between the Group and COSCO Shipping Logistics dated December 2017, the Group is committed to making an investment of RMB 15,000,000 to Qingdao port Lianhai International Logistics Co. Ltd. As at 31 December 2017, the Group with an amount of RMB 15,000,000 unpaid.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

11 COMMITMENTS (Continued)

(4) Credit commitments

As at 31 December 2017, Qingdao Port Group, its subsidiaries and other related parties purchased raw materials and equipment from third parties, thus have issued acceptance notes through Qingdao Finance with RMB 51,069,519 in total (31 December 2016: RMB101,093,780). Qingdao Finance collected some guaranty from the applicant at certain proportion of the amount issued, and will pay to the third party supplier directly when the notes fall due.

Besides, the Group entered into construction contracts of port facilities with certain related parties. Some related parties requested the Group to issue letter of guarantee to insure that the construction project will be completed in time with required quality as set out in the contract. As at 31 December 2017, Qingdao Finance issued letter of guarantee with the amount of approximately RMB 12,538,000 (31 December 2016: RMB 15,804,000) for the purpose aforesaid.

12 LEASING

The future lease payments of fixed assets held under finance leases (Note 6(11)) are as follows:

	31 December 2017	31 December 2016
Within 1 year	39,200,878	—
1 to 2 years	82,948,243	—
2 to 3 years	123,857,878	—
Over 3 years	386,507,280	—
	632,514,279	—

As at 31 December 2017, the unrecognised financing charge amounted to RMB 88,062,144 (31 December 2016: the Group had no fixed assets held under finance leases).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

13 FINANCIAL INSTRUMENT AND RISK

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

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group has confirmed that assets and liabilities in foreign currency and future foreign currency transactions (mainly USD) are exposed to foreign exchange risk. The Group's finance department at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies, to reduce foreign exchange risk to the greatest extent. Therefore, the Group may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk. During 2017, the Group plans a forward exchange transaction of selling HKD 444 million and purchasing USD at the agreed exchange rate, to mitigate the impact arising from the exchange rate fluctuation of HKD against USD (During 2016, the Group did not enter into any forward exchange contract or currency swap contract).

The financial assets and the financial liabilities denominated in foreign currencies of the Group, whose recording currencies are RMB, are expressed in RMB as at 31 December 2017 and 31 December 2016 as follows:

	31 December 2017			
	USD	HKD	Others	Total
Financial assets denominated in foreign currency -				
Cash at bank and on hand	530,674,994	438,760,373	1,154,689	970,590,056
Receivables	41,460,558	—	174,037	41,634,595
	<u>572,135,552</u>	<u>438,760,373</u>	<u>1,328,726</u>	<u>1,012,224,651</u>
Financial liabilities denominated in foreign currency -				
Payables	(19,905,011)	—	(49,939)	(19,954,950)
Short-term borrowings	—	—	(7,540,000)	(7,540,000)
Long-term borrowings	—	—	(80,063,060)	(80,063,060)
	<u>(19,905,011)</u>	<u>—</u>	<u>(87,652,999)</u>	<u>(107,558,010)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

13 FINANCIAL INSTRUMENT AND RISK (Continued)

(1) Market risk (Continued)

(a) Foreign exchange risk (Continued)

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

As at 31 December 2017, if RMB had strengthened/weakened by 4% against the USD while all other variables had been held constant, the Group's net profit for the year would have been approximately RMB 16,567,000 (31 December 2016: approximately RMB 4,361,000) lower/higher for various financial assets and liabilities denominated in USD, which would have no effect on other comprehensive income.

As at 31 December 2017, if RMB had strengthened/weakened by 4% against the HKD while all other variables had been held constant, the Group's net profit for the year would have been approximately RMB 13,163,000 (31 December 2016: approximately RMB 1,314,000) lower/higher for various financial assets denominated in HKD, which would have no effect on other comprehensive income.

(b) Interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

13 FINANCIAL INSTRUMENT AND RISK (Continued)

(1) Market risk (Continued)

(b) Interest rate risk (Continued)

As at 31 December 2017, the Group's interest bearing liabilities included customer deposits at Qingdao Finance of RMB 8,225,623,295 (Note 6(23)), among which RMB 7,986,022,524 was subject to floating interest rate and the remaining were subject to fixed interest rate; bonds payable of RMB 3,500,000,000 (Note 6(25)) was subject to fixed interest rate; and bank borrowings of RMB 269,708,433 (Note 6(17), (24)), among which RMB 132,540,687 was subject to floating rates and the remaining were subject to fixed interest rate.

As at 31 December 2017, the Group's interest bearing assets included cash at bank and on hand of RMB 11,705,176,363 (Note 6(1)), among which 2,725,381,994 was subject to floating interest rate and the remaining were subject to fixed interest rate; and loans provided to related parties and third parties of RMB 5,310,414,864 (Note 6(3), (8)), among which RMB 3,195,941,986 was subject to floating rates and the remaining are subject to fixed interest rate.

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

As at 31 December 2017, if bank interest rates on the floating rate borrowings and loans provided to related parties had risen/fallen by 50 basis points while all other variables had been held constant, the Group's net profit would have decreased/increased by approximately RMB 663,000 (31 December 2016: RMB 603,000).

As at 31 December 2017, if interest rates on cash at bank and on hand, loans provided to related parties and customer deposits at Qingdao Finance subject to the floating rate borrowings had risen/fallen by 8% while all other variables had been held constant, the Group's net profit would have increased/decreased by approximately RMB 7,345,000 (31 December 2016: RMB 7,543,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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13 FINANCIAL INSTRUMENT AND RISK (Continued)

(2) Credit risk

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

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

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

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

(3) Liquidity risk

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

NOTES TO THE FINANCIAL STATEMENTS

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13 FINANCIAL INSTRUMENT AND RISK (Continued)

(3) Liquidity risk (Continued)

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

	31 December 2017				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term borrowings	57,035,157	—	—	—	57,035,157
Notes payable	882,183,561	—	—	—	882,183,561
Accounts payable	1,517,605,961	—	—	—	1,517,605,961
Other payables	9,824,122,352	—	—	—	9,824,122,352
Interest payable	99,576,003	—	—	—	99,576,003
Current portion of long-term liabilities	38,938,626	—	—	—	38,938,626
Long-term borrowings	6,834,433	34,337,001	162,483,358	10,107,397	213,762,189
Long-term payables	—	68,338,868	477,531,053	52,872,704	598,742,625
Bonds payable	105,300,000	105,300,000	3,710,600,000	—	3,921,200,000
	<u>12,531,596,093</u>	<u>207,975,869</u>	<u>4,350,614,411</u>	<u>62,980,101</u>	<u>17,153,166,474</u>

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

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(All amounts in RMB Yuan unless otherwise stated)

13 FINANCIAL INSTRUMENT AND RISK (Continued)

(3) Liquidity risk (Continued)

Repayment terms of bank borrowings and bonds payable are analysed as follows:

	31 December 2017		31 December 2016	
	Bank borrowings	Bonds payable	Bank borrowings	Bonds payable
Within 1 year	81,535,445	—	286,277,290	—
1 to 2 years	27,380,000	—	24,850,000	—
2 to 5 years	150,792,988	3,500,000,000	85,720,000	3,500,000,000
Over 5 years	10,000,000	—	26,820,687	—
	<u>269,708,433</u>	<u>3,500,000,000</u>	<u>423,667,977</u>	<u>3,500,000,000</u>

14 FAIR VALUE ESTIMATES

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

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

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

Level 3: Unobservable inputs for the asset or liability.

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

As at 31 December 2017, available-for-sale financial assets with the amount of RMB 750,357,788 (31 December 2016: RMB 890,000,000) (Note 6(7)) are recognised on the basis of unobservable inputs, which belongs to Level 3.

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

	Available-for-sale financial assets
1 January 2017	890,000,000
Purchases	2,769,934,763
Sales	(2,909,576,975)
Total gains for the current year	51,695,472
Gains recognised in profit or loss	(51,695,472)
31 December 2017	<u>750,357,788</u>

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For the year ended 31 December 2017
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14 FAIR VALUE ESTIMATES (Continued)

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

	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Total
1 January 2016	—	200,000,000	200,000,000
Purchases	3,250,000,000	—	3,250,000,000
Sales	(2,360,000,000)	(200,000,000)	(2,560,000,000)
Total gains for the current year	10,623,633	146,731	10,770,364
Gains recognised in profit or loss	(10,623,633)	(146,731)	(10,770,364)
31 December 2016	<u>890,000,000</u>	<u>—</u>	<u>890,000,000</u>

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

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

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

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

The carrying amount of the other financial assets and liabilities not measured at fair value has little difference with their fair value.

NOTES TO THE FINANCIAL STATEMENTS

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15 CAPITAL MANAGEMENT

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

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

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

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

	31 December 2017	31 December 2016
Bank borrowings (Note 6(17), (24))	269,708,433	423,667,977
Customer deposits at Qingdao Finance (Note 6(23))	8,225,623,295	6,965,592,554
Bonds payable (Note 6(25))	3,500,000,000	3,500,000,000
Less: Cash (Note 6(46) (e))	(6,362,939,502)	(2,747,487,988)
Net liabilities	5,632,392,226	8,141,772,543
Shareholders' equity	25,062,656,390	15,482,558,623
Total capital	30,695,048,616	23,624,331,166
Gearing ratio	18%	34%

NOTES TO THE FINANCIAL STATEMENTS

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16 OTHER EVENTS

On 15 August 2014, Qingdao Maritime Court presented Notice of Response to Action and other documents to Qingdao Port Group and the Company (“QDP Relevant Parties”). The plaintiff, Pacorini Metals (Shanghai) Logistics Co. Ltd. (“Pacorini Logistics”) requested the court to order that Qingdao Hongtu Logistics Co., Ltd. (“Qingdao Hongtu”, third party freight agency company) and QDP Relevant Parties to deliver the aluminium ingot (“Litigation I”) and alumina (“Litigation II”) stored at QDP Relevant Parties to Pacorini Logistics, or to compensate for the corresponding value of the cargo (aluminium ingot amounted to approximately RMB120,065,056, and alumina amounted to approximately USD 38,892,195); Qingdao Hongtu and QDP Relevant Parties should bear all property preservation fees and litigation costs incurred.

On 28 July 2014, Qingdao Maritime Court presented Notice of Response to Action and other documents to QDP Relevant Parties. The plaintiff CITIC Australia Commodity Trading Pty Ltd. (“CITIC”) requested the court to order that QDP Relevant Parties delivered the cargo (“Litigation III”) stored at QDP Relevant Parties, or to compensate for the corresponding value of the cargo amounted to approximately USD 108,078,797 (equivalent to approximately RMB 664,987,225); QDP Relevant Parties should bear all property preservation fees and litigation costs incurred.

The above involved cargo were stored at QDP Relevant Parties under the name of Qingdao Hongtu, and have been detained by the Public Security Authority due to Qingdao Hongtu’s suspected involvement in criminal activities, and Qingdao Hongtu were under a fraud investigation by the Public Security Authority as well. QDP Relevant Parties received the civil orders from Qingdao Maritime Court on 27 October 2016, ruling that the Litigation I was terminated due to the suspected involvement in criminal activities; and that Litigation II and Litigation III were transferred to Public Security Authority.

Given there is no contractual relationship between the Company and Pacorini Logistics/CITIC, the Directors have the consistent view that the aforesaid litigations are lack of sufficient basis. As the above events took place before the incorporation date of the Company, according to the arrangement of the restructuring agreement reached between the Company and Qingdao Port Group on 25 November 2013, Qingdao Port Group will provide corresponding compensation to the Company for the damages arising from the judgement which may be rendered against the Company by the Court. Accordingly the Directors were of the view that the aforesaid litigations and the related judgement and order would not impose any adverse impact on the business and operation of the Group, and no provision was needed for the events mentioned above.

On 18 July 2017, the Company’s subsidiary Datang Port received litigation documents from the court. As required by the plaintiff - China Ocean Engineering Construction General Bureau (COECG), Datang Port should pay the construction costs of RMB 28,908,677 and relevant interest on overdue payments. The Intermediate People’s Court of Qingdao Municipality heard the case on 29 August 2017 and 18 January 2018, preliminarily concluded that judicial identification is needed for the existing disputes. Up to the date of this financial statements authorized for issuing, the case was still under trial. The management of the Company has assessed the expected completion progress of the construction and recognised the corresponding construction fee payables.

NOTES TO THE FINANCIAL STATEMENTS

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17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	31 December 2017	31 December 2016
Cash on hand	83,581	3,697
Cash at bank	4,310,698,160	2,225,151,861
Other cash balances	389,095,706	28,718,001
	<u>4,699,877,447</u>	<u>2,253,873,559</u>

As at 31 December 2017, other cash balances comprised of deposits of RMB 21,254,867 (31 December 2016: RMB 28,718,001) for the issuance of acceptance notes of the Company through banks and its subsidiary Qingdao Finance., and deposits for foreign exchange trading amounted to RMB 367,840,839 (31 December 2016: Nil).

(2) Notes receivable

	31 December 2017	31 December 2016
Bank acceptance notes	182,824,549	246,559,265
Trade acceptance notes	24,610,000	138,221,256
	<u>207,434,549</u>	<u>384,780,521</u>

As at 31 December 2017, trade acceptance notes of the Company with a value of RMB 13,000,000 have been pledged as the security for new issuance of bank acceptance notes, meanwhile, bank acceptance notes with a value of RMB 3,000,000 have been pledged to bank, and the Company is in the progress of applying of issuance of acceptance notes. (31 December 2016: the bank acceptance notes of RMB 66,244,274 was pledged to bank as collateral for the Company to apply for issuance of bank acceptance notes with same amount) (Note 17(17)).

As at 31 December 2017, no unmatured trade acceptance notes with recourse included in notes receivable (31 December 2016: unmatured trade acceptance notes with recourse of RMB 103,760,938 had been discounted. The Group recognised the received discounted amount as short-term borrowings.) (Note 17(16)).

NOTES TO THE FINANCIAL STATEMENTS

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

(3) Accounts receivable and other receivables

(a) Accounts receivable

	31 December 2017	31 December 2016
Accounts receivable	1,008,195,015	761,623,552
Less: Provision for bad debts	(51,289,353)	(75,953,527)
	<u>956,905,662</u>	<u>685,670,025</u>

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

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

	31 December 2017			31 December 2016		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	981,733,843	97.38%	(43,962,694)	717,192,977	94.16%	(63,670,000)
1 to 2 years	9,921,546	0.98%	(962,877)	27,693,592	3.64%	(2,261,027)
2 to 3 years	9,187,126	0.91%	(2,526,282)	16,414,483	2.16%	(9,764,500)
3 to 4 years	7,030,000	0.70%	(3,515,000)	—	—	—
4 to 5 years	—	—	—	322,500	0.04%	(258,000)
Over 5 years	322,500	0.03%	(322,500)	—	—	—
	<u>1,008,195,015</u>	<u>100.00%</u>	<u>(51,289,353)</u>	<u>761,623,552</u>	<u>100.00%</u>	<u>(75,953,527)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

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

(3) Accounts receivable and other receivables

(a) Accounts receivable

As at 31 December 2017, accounts receivable of RMB 127,526,799 (31 December 2016: RMB 219,865,893) were overdue, however, based on the analysis of the customers' financial status and credit record. The Company expected that the overdue amounts could be recovered, and the accounts receivable were not impaired, thus no provisions for bad debts were individually provided. The past-due ageing of these accounts receivables is analysed as follows:

	31 December 2017	31 December 2016
Within 1 year	102,261,298	184,140,989
1 to 2 years	9,921,546	26,497,921
2 to 3 years	7,991,455	8,904,483
3 to 4 years	7,030,000	—
4 to 5 years	—	322,500
Over 5 years	322,500	—
	<u>127,526,799</u>	<u>219,865,893</u>

Accounts receivable are analysed by customers categories as follows:

	31 December 2017			31 December 2016		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Related parties	614,895,437	60.99%	(25,749,868)	116,872,515	15.35%	—
Third parties	393,299,578	39.01%	(25,539,485)	644,751,037	84.65%	(75,953,527)
	<u>1,008,195,015</u>	<u>100.00%</u>	<u>(51,289,353)</u>	<u>761,623,552</u>	<u>100.00%</u>	<u>(75,953,527)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
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17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(3) Accounts receivable and other receivables (Continued)

(b) Other receivables

	31 December 2017	31 December 2016
Receivables of assets transfer (i)	220,029,917	302,120,465
Construction costs paid on behalf of subsidiaries (ii)	118,941,534	118,903,331
Port construction fees receivable	56,115,044	62,592,722
Loans provided to related parties (iii)	50,000,000	60,000,000
Receivables of agent procurement	10,340,778	7,529,472
Receivables of agent construction project expenditures	5,273,591	196,841,038
Deposits and guarantees	3,405,881	31,958,501
Others	19,295,728	10,010,324
	483,402,473	789,955,853
Less: Provision for bad debts	(26,526,128)	(10,369,147)
	456,876,345	779,586,706

- (i) As at 31 December 2017, receivables of assets transfer are receivables of terminal and stockyard project from QDOT (31 December 2016: receivables of project transfer from DMT).
- (ii) Construction costs paid on behalf of subsidiaries are construction costs paid by the Company on behalf of Mercuria Logistics and other subsidiaries.
- (iii) Loans provided to related parties were short term entrusted loans provided by the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(3) Accounts receivable and other receivables (Continued)

(b) Other receivables (Continued)

Other receivables and related provision for bad debts are analysed as follows:

	31 December 2017			31 December 2016		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	353,782,553	73.19%	(15,729,710)	776,093,636	98.25%	—
1 to 2 years	118,485,300	24.51%	(63,447)	1,281,543	0.16%	(21,407)
2 to 3 years	328,458	0.07%	(98,537)	12,227,167	1.55%	(10,347,740)
3 to 4 years	10,604,949	2.19%	(10,472,864)	330,507	0.04%	—
4 to 5 years	198,213	0.04%	(158,570)	3,000	0.00%	—
Over 5 years	3,000	0.00%	(3,000)	20,000	0.00%	—
	483,402,473	100.00%	(26,526,128)	789,955,853	100.00%	(10,369,147)

As at 31 December 2017, other receivables with ageing over one year were RMB 129,619,920 (31 December 2016: RMB 13,862,217). Based on analysis on customer financial condition and past credit record, the Company makes provision for bad debts at RMB 10,796,418 (31 December 2016: RMB 10,369,147). The remaining receivable is considered recoverable and not impaired, thus no provision for bad debts are individually made.

(4) Advances to suppliers

The ageing of advances to suppliers is analysed as follows:

	31 December 2017		31 December 2016	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	8,479,077	100.00%	2,928,930	45.95%
1 to 2 years	—	—	1,668,000	26.16%
2 to 3 years	—	—	—	—
3 to 4 years	—	—	1,778,327	27.89%
	8,479,077	100.00%	6,375,257	100.00%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
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17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(5) Inventories

(a) Inventories are listed as follows:

	31 December 2017			31 December 2016		
	Ending balance	Provision for decline in the value of inventories	Carrying amount	Ending balance	Provision for decline in the value of inventories	Carrying amount
Amount due from customers for construction contract (i)	136,997,767	—	136,997,767	316,091,965	—	316,091,965
Materials and finished goods	20,061,970	—	20,061,970	45,409,411	—	45,409,411
Spare parts	2,483,202	—	2,483,202	3,975,216	—	3,975,216
Fuel	4,876,866	—	4,876,866	4,051,352	—	4,051,352
Others	1,178,720	—	1,178,720	1,111,342	—	1,111,342
	<u>165,598,525</u>	<u>—</u>	<u>165,598,525</u>	<u>370,639,286</u>	<u>—</u>	<u>370,639,286</u>

(i) Amount due from customers for construction contract

	31 December 2017	31 December 2016
Accumulated cost recognised	569,663,663	764,953,443
Add: Accumulated gross profits recognised	41,577,880	26,682,085
Less: Accumulated amounts settled	(474,243,776)	(475,543,563)
	<u>136,997,767</u>	<u>316,091,965</u>

(b) The movements of inventories for the year are as follows:

	31 December 2016	Increase in the current year	Decrease in the current year	31 December 2017
Amount due from customers for construction contract	316,091,965	387,595,054	(566,689,252)	136,997,767
Materials and finished goods	45,409,411	398,485,402	(423,832,843)	20,061,970
Spare parts	3,975,216	17,011,187	(18,503,201)	2,483,202
Fuel	4,051,352	295,344,678	(294,519,164)	4,876,866
Others	1,111,342	28,791,009	(28,723,631)	1,178,720
	<u>370,639,286</u>	<u>1,127,227,330</u>	<u>(1,332,268,091)</u>	<u>165,598,525</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

(6) Other current assets

	31 December 2017	31 December 2016
Available-for-sale financial assets	300,000,000	—
Input VAT to be deducted	21,590,281	48,134,431
Input VAT to be verified	—	3,380,829
Prepaid VAT	—	2,817
	<u>321,590,281</u>	<u>51,518,077</u>

(7) Long-term receivables

	31 December 2017	31 December 2016
Loans provided to subsidiaries	1,795,000,000	1,360,000,000
Loans provided to other related parties	2,535,000,000	1,635,000,000
Less: Provision for bad debts	(49,875,000)	—
	<u>4,280,125,000</u>	<u>2,995,000,000</u>

(8) Long-term equity investments

	31 December 2017	31 December 2016
Subsidiaries (a)	3,614,565,893	3,363,062,011
Joint ventures (b)	9,055,405,486	5,749,803,217
Associates (c)	98,829,206	97,896,134
	<u>12,768,800,585</u>	<u>9,210,761,362</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

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

(8) Long-term equity investments (Continued)

(a) Subsidiaries

	Accounting method	31 December 2016	Increase in investment in the current year	Decrease in investment in the current year	31 December 2017	Profit declared to distribute in current year
Yongli Insurance	Cost method	7,866,558	—	—	7,866,558	3,034,288
QDP Logistics	Cost method	244,793,957	12,580,968	—	257,374,925	400,000,000
Hongyu Cargo Agency	Cost method	12,811,516	—	—	12,811,516	—
GLS Shipping	Cost method	2,580,830	—	—	2,580,830	—
Ocean Shipping Repair	Cost method	3,666,959	—	—	3,666,959	773,578
Qingdao Port Engineering	Cost method	114,455,552	—	—	114,455,552	—
Ocean Shipping Tally	Cost method	389,296,880	—	—	389,296,880	117,607,144
Gangjia Logistics	Cost method	7,299,874	—	—	7,299,874	5,100,000
Gangrong Storage	Cost method	7,952,229	—	—	7,952,229	—
Qingdao Port Travel Agency	Cost method	3,052,737	—	—	3,052,737	—
Duty-free Merchandise	Cost method	2,931,373	—	—	2,931,373	—
Datang Port	Cost method	179,109,502	—	—	179,109,502	—
Qingdao Finance	Cost method	700,000,000	—	—	700,000,000	—
Mercuria Logistics	Cost method	273,278,376	—	—	273,278,376	—
Mercuria Storage	Cost method	182,079,200	—	—	182,079,200	—
Eimskip Coldchain	Cost method	14,000,000	—	—	14,000,000	—
Qingdao Port Properties	Cost method	5,000,000	—	—	5,000,000	6,000,000
Culture Media	Cost method	3,000,000	—	—	3,000,000	1,475,156
Qingdao Leasing	Cost method	183,748,000	63,629,000	(247,377,000)	—	11,862,432
International Development	Cost method	31,179,600	9,127,442	—	40,307,042	—
Tongbao Shipping	Cost method	20,000,000	—	—	20,000,000	1,243,987
Tongan Security	Cost method	1,000,000	—	(1,000,000)	—	—
DMT	Cost method	480,000,000	—	—	480,000,000	—
Lianhua Pipeline	Cost method	153,000,000	288,660,000	—	441,660,000	—
Assets Management Company	Cost method	170,000,000	3,000,000	(173,000,000)	—	—
Technology Company	Cost method	20,000,000	—	—	20,000,000	—
Svitzer Towage	Cost method	115,500,000	—	—	115,500,000	3,847,076
Tongze Trading	Cost method	10,000,000	—	—	10,000,000	4,623,027
Bonded Logistics Centre	Cost method	25,458,868	—	—	25,458,868	—
Fund Management	Cost method	—	3,000,000	(3,000,000)	—	—
Vopak Logistics	Cost method	—	295,883,472	—	295,883,472	—
		<u>3,363,062,011</u>	<u>675,880,882</u>	<u>(424,377,000)</u>	<u>3,614,565,893</u>	<u>555,566,688</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(8) Long-term equity investments (Continued)

(b) Joint venture

	Accounting method	31 December 2016	Movements in current year				Unrealised profits and losses	31 December 2017
			Increase/decrease in investment	Share of net profit/(loss) under equity method	Cash dividends/profit declared	Share of other changes in equity		
QQCT	Equity method	2,170,600,622	3,198,650,840	709,469,791	(617,988,773)	(3,829,259)	(9,962,303)	5,446,940,918
Qingdao Shihua	Equity method	1,559,310,678	—	268,302,363	(240,000,000)	—	(148,407)	1,587,464,634
West United	Equity method	441,724,704	—	20,865,606	—	—	—	462,590,310
Qingwei Container	Equity method	146,590,738	—	21,397,361	—	—	—	167,988,099
Vopak Logistics	Equity method	143,877,987	(143,855,951)	(22,036)	—	—	—	—
Evergreen Container	Equity method	67,223,496	—	20,413,562	(18,688,022)	305,157	—	69,254,193
Orient Container	Equity method	45,429,585	—	7,670,278	(7,463,017)	—	—	45,636,846
Haiwan Liquid Chemical	Equity method	145,008,179	—	(2,477,381)	—	—	—	142,530,798
Ganghai Logistics	Equity method	72,977,406	—	9,171,640	—	—	—	82,149,046
Shenzhouxing Cargo Agency	Equity method	37,398,558	—	12,995,177	(11,624,344)	—	—	38,769,391
China Shipping Agency	Equity method	13,054,589	—	1,388,153	—	—	—	14,442,742
United Shipping Agency	Equity method	66,391,582	—	11,574,737	(11,851,212)	—	—	66,115,107
Huaneng Qingdao	Equity method	172,974,921	—	(17,261,979)	—	—	—	155,712,942
Dongjiakou IMC Logistics	Equity method	151,547,631	(117,129,660)	30,158,569	(7,973,732)	—	—	56,602,808
QDOT	Equity method	462,022,888	180,000,000	27,191,318	—	2,118	(10,491,527)	658,724,797
Henan Yuqing	Equity method	2,489,520	—	(37,232)	—	—	—	2,452,288
Dongjiakou Sinotrans Logistics	Equity method	48,830,228	—	321,906	—	—	—	49,152,134
Binzhou Port QDP International Terminal	Equity method	2,349,905	—	6,084,599	—	443,929	—	8,878,433
		<u>5,749,803,217</u>	<u>3,117,665,229</u>	<u>1,127,206,432</u>	<u>(915,589,100)</u>	<u>(3,078,055)</u>	<u>(20,602,237)</u>	<u>9,055,405,486</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
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17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(8) Long-term equity investments (Continued)

(c) Associates

	Accounting method	31 December 2016	Movements in current year		31 December 2017
			Share of net profit/(loss) under equity method	Cash dividends/profit declared	
Ganghua Logistics	Equity method	7,896,134	1,442,165	(1,125,301)	8,212,998
Qingyin Financial Leasing	Equity method	90,000,000	616,208	—	90,616,208
		<u>97,896,134</u>	<u>2,058,373</u>	<u>(1,125,301)</u>	<u>98,829,206</u>

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

(9) Investment properties

	Buildings	Land use rights	Total
Cost			
31 December 2016	259,610,110	370,659,697	630,269,807
Increase in the current year	1,462,600	—	1,462,600
Transfer from intangible assets	—	127,071,943	127,071,943
31 December 2017	<u>261,072,710</u>	<u>497,731,640</u>	<u>758,804,350</u>
Accumulated depreciation			
31 December 2016	(31,177,153)	(25,623,790)	(56,800,943)
Increase in the current year	(10,382,895)	(11,202,814)	(21,585,709)
Transfer from intangible assets	—	(8,918,219)	(8,918,219)
31 December 2017	<u>(41,560,048)</u>	<u>(45,744,823)</u>	<u>(87,304,871)</u>
Net book value			
31 December 2017	<u>219,512,662</u>	<u>451,986,817</u>	<u>671,499,479</u>
31 December 2016	<u>228,432,957</u>	<u>345,035,907</u>	<u>573,468,864</u>

As at 31 December 2017, the management of the Company were of the view that there was no indication that the investment properties might be impaired, therefore no provision for impairment was recorded (31 December 2016: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(10) Fixed assets

	Buildings	Terminal facilities	Storage facilities	Loading equipment	Machinery and equipment	Vessels	Motor vehicles	Communication facilities	Office and other equipment	Total
Cost										
31 December 2016	241,848,016	5,997,344,645	1,985,997,801	938,646,416	197,934,506	751,962,845	48,971,177	74,289,640	17,687,654	10,254,682,700
Transfers from										
construction in progress	5,926,400	1,181,641	96,515,512	5,470,040	13,195,540	—	—	88,686	—	122,377,819
Purchase in current year	24,260,116	7,590,569	98,339	635,897	6,753,230	79,475,103	1,547,187	9,172,503	3,042,570	132,575,514
Decrease in the										
current year	(726,982)	(325,826,000)	(19,482,355)	(8,352,201)	(4,572,216)	—	(608,673)	(3,532,909)	(360,668)	(363,462,004)
31 December 2017	271,307,550	5,680,290,855	2,063,129,297	936,400,152	213,311,060	831,437,948	49,909,691	80,017,920	20,369,556	10,146,174,029
Accumulated depreciation										
31 December 2016	(32,801,130)	(468,145,039)	(167,331,117)	(516,192,008)	(78,973,929)	(171,961,995)	(24,798,417)	(26,054,614)	(10,742,956)	(1,497,001,205)
Increase in the										
current year	(12,053,665)	(169,143,231)	(61,399,435)	(101,829,660)	(21,014,311)	(48,043,705)	(6,025,079)	(11,383,944)	(3,632,359)	(434,525,389)
Decrease in the										
current year	2,041	13,249,805	1,903,786	5,696,436	4,341,679	—	582,968	3,389,197	342,385	29,508,297
31 December 2017	(44,852,754)	(624,038,465)	(226,826,766)	(612,325,232)	(95,646,561)	(220,005,700)	(30,240,528)	(34,049,361)	(14,032,930)	(1,902,018,297)
Net book value										
31 December 2017	226,454,796	5,056,252,390	1,836,302,531	324,074,920	117,664,499	611,432,248	19,669,163	45,968,559	6,336,626	8,244,155,732
31 December 2016	209,046,886	5,529,199,606	1,818,666,684	422,454,408	118,960,577	580,000,850	24,172,760	48,235,026	6,944,698	8,757,681,495

For the year ended 31 December 2017, the amounts of depreciation expenses charged to cost of sales and general and administrative expenses were RMB 415,914,100 and RMB 18,611,289 respectively (2016: RMB449,390,085 and RMB16,712,542, respectively).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

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

(11) Construction in progress

Project name	31 December 2016	Increase in the current year	Transfer to fixed assets	Transfer to intangible assets	31 December 2017
Dongjiakou stevedoring, storage and transportation projects for liquid bulk cargo	397,124,739	3,884,986	—	—	401,009,725
Dongjiakou berth project for bulk and general cargo	483,763,982	13,107,436	(113,583,566)	—	383,287,852
Dongjiakou stockyard project	116,538,736	116,519,727	(567,853)	—	232,490,610
Other Dongjiakou projects	26,848,313	—	—	—	26,848,313
Other projects	14,243,454	25,697,099	(8,226,400)	(1,188,679)	30,525,474
	<u>1,038,519,224</u>	<u>159,209,248</u>	<u>(122,377,819)</u>	<u>(1,188,679)</u>	<u>1,074,161,974</u>

The Company has no capitalised borrowing expense.

(12) Intangible assets

	Land use rights	Software	Sea area use rights	Others	Total
Cost					
31 December 2016	2,446,949,670	22,978,975	1,362,580	32,269,286	2,503,560,511
Increase in the current year					
Purchase	71,167,239	7,062,142	—	—	78,229,381
Transfers from construction in progress	—	1,188,679	—	—	1,188,679
Decrease in the current year					
Transfer into investment properties	(127,071,943)	—	—	—	(127,071,943)
Other decrease	(9,055,897)	—	—	—	(9,055,897)
31 December 2017	2,381,989,069	31,229,796	1,362,580	32,269,286	2,446,850,731
Accumulated amortisation					
31 December 2016	(169,493,875)	(9,132,810)	(81,758)	(11,241,334)	(189,949,777)
Increase in the current year					
Provision	(52,995,638)	(4,996,258)	(27,252)	(3,112,848)	(61,131,996)
Decrease in the current year					
Transfer into investment properties	8,918,219	—	—	—	8,918,219
Other decrease	811,110	—	—	—	811,110
31 December 2017	(212,760,184)	(14,129,068)	(109,010)	(14,354,182)	(241,352,444)
Carrying amount					
31 December 2017	2,169,228,885	17,100,728	1,253,570	17,915,104	2,205,498,287
31 December 2016	2,277,455,795	13,846,165	1,280,822	21,027,952	2,313,610,734

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

(13) Other non-current assets

	31 December 2017	31 December 2016
Taxes prepaid for rental income from port facilities (Note 6(14) (i))	187,965,580	198,276,587
Less: Current portion	(11,806,865)	(11,613,049)
Construction and equipment expenditures prepaid	63,772,954	29,780,567
	239,931,669	216,444,105

(14) Provision for asset impairments

	31 December 2016	Increase in the current year	Decrease in the current year		31 December 2017
			Reversal	Write-off	
Provision for bad debts	86,322,674	112,547,807	(71,180,000)	—	127,690,481
Including: Provision for bad debts of accounts receivable	75,953,527	46,515,826	(71,180,000)	—	51,289,353
Provision for bad debts of other receivables	10,369,147	16,156,981	—	—	26,526,128
Provision for bad debts of long-term receivables	—	49,875,000	—	—	49,875,000
	<u>86,322,674</u>	<u>112,547,807</u>	<u>(71,180,000)</u>	<u>—</u>	<u>127,690,481</u>

NOTES TO THE FINANCIAL STATEMENTS

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

(15) Deferred tax assets

	31 December 2017		31 December 2016	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for asset impairments	128,518,209	31,621,795	86,322,674	21,580,669
Early retirement benefits	89,900,000	22,475,000	117,240,000	29,310,000
Assets revaluation surplus	38,933,568	9,733,392	39,203,088	9,800,772
Elimination of intra-group unrealised profit	10,899,112	2,724,778	11,309,320	2,827,330
Accrued expenses	2,024,113	506,028	2,283,097	570,774
	270,275,002	67,060,993	256,358,179	64,089,545
Including:				
Expected to be recovered within one year (inclusive)		5,483,409		6,416,751
Expected to be recovered after one year		61,577,584		57,672,794
		67,060,993		64,089,545

As at 31 December 2017, the Company had no deferred tax liabilities (31 December 2016: Nil).

(16) Short-term borrowings

	Currency	31 December 2017	31 December 2016
Unsecured	RMB	315,000,000	305,000,000
Secured (a)	RMB	—	103,760,938
		315,000,000	408,760,938

(a) As at 31 December 2017, the Company had no bank borrowings (31 December 2016: short-term borrowings of RMB 103,760,938 obtained by discounting trade acceptance notes) (Note 17(2)).

(b) As at 31 December 2017, the interest rate range of short-term borrowings was 4.35% (31 December 2016: 3.92% to 4.35%).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

(17) Notes payable

	31 December 2017	31 December 2016
Bank acceptance notes	220,348,647	241,109,720
Trade acceptance notes	5,469,417	29,136,503
	225,818,064	270,246,223

As at 31 December 2017, bank acceptance notes payable of RMB 13,000,000 were issued with trade acceptance notes receivable of the same amount as collateral (31 December 2016: bank acceptance notes payable of RMB 66,244,274 were issued with bank acceptance notes receivable of the same amount as collateral) (Note 17(2)).

(18) Employee benefits payable

	31 December 2017	31 December 2016
Short-term employee benefits payable (a)	60,996,867	51,855,282
Defined contribution plans payable (b)	1,825,653	19,273,870
Termination benefits payable (c)	19,640,000	23,380,000
Defined benefit plans payable (d)	101,400,000	102,540,000
	183,862,520	197,049,152

(a) Short-term employee benefits

	31 December 2016	Increase in the current year	Decrease in the current year	31 December 2017
Wages and salaries, bonus, allowances and subsidies	40,223,111	619,671,129	(610,624,569)	49,269,671
Staff welfare	—	71,634,109	(71,634,109)	—
Social security contributions	—	59,205,296	(59,205,296)	—
Including: Medical insurance	—	49,192,865	(49,192,865)	—
Work injury insurance	—	4,555,813	(4,555,813)	—
Maternity insurance	—	5,456,618	(5,456,618)	—
Housing funds	—	64,314,607	(64,313,987)	620
Labour union funds and employee education funds	4,903,376	13,032,348	(13,465,984)	4,469,740
Outsourcing costs	6,728,795	270,062,299	(269,534,258)	7,256,836
Others	—	6,868,916	(6,868,916)	—
	51,855,282	1,104,788,704	(1,095,647,119)	60,996,867

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
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17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(18) Employee benefits payable (Continued)

(b) Defined contribution plans payable

	31 December 2016	Increase in the current year	Decrease in the current year	31 December 2017
Basic pensions	—	98,141,635	(98,141,635)	—
Unemployment insurance	—	3,818,357	(3,818,357)	—
Corporate annuity	19,273,870	26,824,776	(44,272,993)	1,825,653
	<u>19,273,870</u>	<u>128,784,768</u>	<u>(146,232,985)</u>	<u>1,825,653</u>

(c) Termination benefits payable

	31 December 2017	31 December 2016
Early retirement benefits payable	<u>19,640,000</u>	<u>23,380,000</u>

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

(d) Defined benefit plans payable

	31 December 2017	31 December 2016
Supplemental retirement benefits	<u>101,400,000</u>	<u>102,540,000</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(19) Taxes payable

	31 December 2017	31 December 2016
Unpaid VAT	47,697,288	3,818,815
Land use tax payable	10,693,094	12,080,414
Enterprise income tax payable	10,211,289	5,031,924
City maintenance and construction tax payable	3,632,156	473,500
Individual income tax payable	2,953,754	2,101,816
Real estate tax payable	1,945,344	2,063,517
Stamp duty payable	445,353	2,108,064
Others	2,847,361	383,415
	<u>80,425,639</u>	<u>28,061,465</u>

(20) Other payables

	31 December 2017	31 December 2016
Engineering equipment payable	351,723,865	1,124,632,688
Port construction fees payable	48,577,775	48,366,481
Guarantees and deposits payable	16,736,961	27,295,779
Payables to Qingdao Port Group	—	479,350,964
Others	26,152,539	43,053,275
	<u>443,191,140</u>	<u>1,722,699,187</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
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17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(21) Long-term employee benefits payable

	31 December 2017	31 December 2016
Early retirement benefits payable (a)	70,260,000	93,860,000
Supplemental retirement benefits payable (b)	2,085,300,000	2,430,760,000
	<u>2,155,560,000</u>	<u>2,524,620,000</u>

(a) Early retirement benefits of the Company:

	31 December 2017	31 December 2016
Early retirement benefits	89,900,000	117,240,000
Less: Payable within one year	(19,640,000)	(23,380,000)
	<u>70,260,000</u>	<u>93,860,000</u>

The employee benefits payable within one year are included in employee benefits payable.

(b) Supplemental retirement benefit liabilities of the Company:

	31 December 2017	31 December 2016
Supplemental retirement benefit liabilities	2,186,700,000	2,533,300,000
Less: Payable within one year	(101,400,000)	(102,540,000)
	<u>2,085,300,000</u>	<u>2,430,760,000</u>

The supplemental retirement benefits payable within one year are included in employee benefits payable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

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

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

	Early retirement benefits	Supplemental retirement benefits
1 January 2017	117,240,000	2,533,300,000
Amount recognised in profit or loss for the current year		
- Service cost	11,000,000	2,180,000
- Interest expense on the net defined benefit obligations	3,170,000	82,050,000
Re-measurement amount		
- Actuarial gains for the current year	(12,120,000)	(336,020,000)
Payment of benefits	(29,390,000)	(94,370,000)
Personnel transfer	—	(440,000)
31 December 2017	<u>89,900,000</u>	<u>2,186,700,000</u>
	Early retirement benefits	Supplemental retirement benefits
1 January 2016	127,210,000	2,646,170,000
Amount recognised in profit or loss for the current year		
- Service cost	34,640,000	132,270,000
- Interest expense on the net defined benefit obligations	3,560,000	84,330,000
Re-measurement amount		
- Actuarial gains for the current year	(15,840,000)	(226,580,000)
Payment of benefits	(23,170,000)	(99,620,000)
Personnel transfer	(9,160,000)	(3,270,000)
31 December 2016	<u>117,240,000</u>	<u>2,533,300,000</u>

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

	2017	2016
General and administrative expenses	1,060,000	151,070,000
Finance expenses	85,220,000	87,890,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
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17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(22) Capital surplus

	31 December 2016	Increase in the current year	Decrease in the current year	31 December 2017
Share premium (Note 6(30)) -				
Capital premium contributed by Qingdao Port Group	7,052,279,474	—	—	7,052,279,474
Capital premium contributed by Other Promoters	783,586,608	—	—	783,586,608
Newly issued	1,547,306,924	5,465,252,688	—	7,012,559,612
Shares issue expenses	(113,422,026)	(13,009,480)	—	(126,431,506)
Business combination under common control	(31,531,719)	—	—	(31,531,719)
Other capital surplus -				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	12,213,780	(3,078,055)	—	9,135,725
	<u>9,250,433,041</u>	<u>5,449,165,153</u>	<u>—</u>	<u>14,699,598,194</u>
	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
Share premium (Note 6(30)) -				
Capital premium contributed by Qingdao Port Group	7,052,279,474	—	—	7,052,279,474
Capital premium contributed by other promoters	783,586,608	—	—	783,586,608
Newly issued	1,547,306,924	—	—	1,547,306,924
Shares issue expenses	(113,422,026)	—	—	(113,422,026)
Business combination under common control	(31,531,719)	—	—	(31,531,719)
Other capital surplus -				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	2,744,874	9,468,906	—	12,213,780
	<u>9,240,964,135</u>	<u>9,468,906</u>	<u>—</u>	<u>9,250,433,041</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(23) Undistributed profits

	2017	2016
Undistributed profits at beginning of year	2,257,979,547	1,636,833,839
Add: Net profit in the current year	2,441,308,526	1,428,553,689
Less: Appropriated statutory surplus reserve	(244,130,853)	(142,855,369)
Profit distribution to the shareholders (Note 6(34))	(787,551,013)	(664,552,612)
Undistributed profits at end of year	<u>3,667,606,207</u>	<u>2,257,979,547</u>

(24) Revenue and cost of sales

	2017	2016
Revenues from main operations	4,588,785,539	4,245,650,496
Revenues from other operations	918,763,908	858,397,453
	<u>5,507,549,447</u>	<u>5,104,047,949</u>

	2017	2016
Cost of main operations	(3,296,104,587)	(3,164,719,618)
Cost of other operations	(679,119,541)	(534,976,235)
	<u>(3,975,224,128)</u>	<u>(3,699,695,853)</u>

(a) Revenue and cost from main operations

	2017		2016	
	Revenues from main operations	Cost of main operations	Revenues from main operations	Cost of main operations
Container handling and ancillary services	241,411,126	(69,523,369)	192,631,867	(65,817,305)
Metal ores, coal and other cargo handling and ancillary services	3,103,082,346	(2,492,306,926)	2,841,596,353	(2,280,883,773)
Liquid bulk handling and ancillary services	174,571,650	(16,629,755)	116,172,323	(14,003,655)
Logistics and port value-added services	586,117,783	(310,303,437)	672,202,770	(423,940,546)
Port ancillary services - construction, labour and construction of port machinery	483,602,634	(407,341,100)	423,047,183	(380,074,339)
	<u>4,588,785,539</u>	<u>(3,296,104,587)</u>	<u>4,245,650,496</u>	<u>(3,164,719,618)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
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17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(24) Revenue and cost of sales (Continued)

(b) Revenue and cost of sales from other operations

	2017		2016	
	Revenues from other operations	Cost of other operations	Revenues from other operations	Cost of other operations
Port ancillary service - sales of fuel, electricity and others	918,763,908	(679,119,541)	858,397,453	(534,976,235)

(25) Taxes and surcharges

	2017	2016
Land use tax	44,098,854	33,473,965
City maintenance and construction tax	11,868,620	10,536,627
Business tax	10,328,601	16,657,233
Educational surcharge	8,477,586	7,551,874
Stamp tax	6,880,493	2,728,737
Real estate tax	4,382,173	4,419,979
Others	1,973,467	2,274,673
	88,009,794	77,643,088

(26) Finance expenses

	2017	2016
Interest costs	127,033,911	98,713,242
Less: Capitalised interest	—	—
Interest expenses	127,033,911	98,713,242
Less: Interest income	(202,425,216)	(125,132,667)
Effect of actuarial calculation of employee benefits	85,220,000	87,890,000
Exchange gains or losses	43,406,254	(1,775,934)
Others	454,872	579,418
	53,689,821	60,274,059

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(27) Expenses by nature

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

	2017	2016
Employee benefits	1,222,121,706	1,391,459,687
Subcontract cost	950,156,019	788,607,822
Depreciation of fixed assets	434,525,389	466,102,627
Cost for outsourcing transportation	391,260,036	296,037,412
Cost for purchasing fuel and electricity	362,580,039	310,174,276
Consumption of other raw materials	218,279,612	200,394,638
Fuel and heating expenditures	181,731,482	180,851,293
Consumption of raw materials in construction contract	171,527,174	176,712,093
Rental expenses	93,044,216	89,132,844
Repair expenses	91,172,484	87,770,141
Amortisation of intangible assets	61,131,996	62,238,144
Consultancy expenses	24,132,255	—
Depreciation of investment properties	21,585,709	18,677,708
Amortisation of long-term prepaid expenses	10,949,936	14,331,144
Audit expenses	8,630,150	4,537,020
- Audit services	8,600,187	4,452,774
- Non-audit services	29,963	84,246
Taxes	—	18,853,818
Others	68,116,792	77,312,962
	<u>4,310,944,995</u>	<u>4,183,193,629</u>

(28) Asset impairment losses

	2017	2016
Provision for bad debts	<u>41,367,807</u>	<u>32,437,785</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
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17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(29) Investment income

	2017	2016
Income from long-term equity investments under equity method	1,108,662,568	777,385,037
Income from long-term equity investments under cost method	555,566,688	113,808,946
Investment income from disposal of subsidiaries	4,593,672	—
Investment income from disposal of available-for-sale financial assets	3,312,043	8,020,273
Income from available-for-sale financial assets during holding period	58,500	58,500
Investment income from disposal of financial assets at fair value through profit or loss	—	146,731
	<u>1,672,193,471</u>	<u>899,419,487</u>

(30) Gains on disposals of assets

	2017	2016
Gains on disposals of fixed assets	20,343,359	4,980,133
Losses on disposals of intangible assets	(2,266,649)	—
	<u>18,076,710</u>	<u>4,980,133</u>

(31) Other income

	2017	2016	
Special funds for outer channel	3,914,444	—	Asset related/ Income related
Stable position subsidies	4,046,905	—	Assets related Income related
	<u>7,961,349</u>	—	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

(32) Non-operating income

	2017	2016
Commission from port construction fees	14,878,230	13,855,421
Government grants	4,406,000	10,070,775
Others	2,327,526	2,727,938
	<u>21,611,756</u>	<u>26,654,134</u>

(33) Income tax expenses

	2017	2016
Current income tax calculated based on tax law and related regulations current income tax	293,880,903	256,783,328
Deferred income tax	(2,971,448)	(3,901,450)
	<u>290,909,455</u>	<u>252,881,878</u>

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the Company's income statement to the income tax expenses is listed below:

	2017	2016
Total profit	<u>2,732,217,981</u>	<u>1,681,435,567</u>
Income tax expenses calculated at applicable tax rates	683,054,495	420,358,892
Investment income not subject to tax	(416,057,314)	(222,798,496)
Extra-deducted salary for disabled employees	(1,615,182)	(1,587,601)
Costs, expenses and losses not deductible for tax purposes	25,527,456	56,909,083
Income tax expenses	<u>290,909,455</u>	<u>252,881,878</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(35) Notes to the Company's cash flow statement

(a) Supplementary information to the cash flow statement

Reconciliation from net profit to cash flows from operating activities

	2017	2016
Net profit	2,441,308,526	1,428,553,689
Add: Provision for asset impairment losses	41,367,807	32,437,785
Depreciation of fixed assets and investment properties	456,111,098	484,780,335
Amortisation of intangible assets	61,131,996	62,238,144
Amortisation of long-term prepaid expenses	10,949,936	14,331,144
Amortisation of deferred income	(3,914,444)	(3,914,444)
Gains on disposal of non-current assets	(18,076,710)	(6,062,793)
Investment income	(1,672,193,471)	(899,419,487)
Increase in deferred tax assets	(2,971,448)	(3,901,450)
Finance expenses	77,870,666	73,624,231
Increase in inventories	205,040,761	(210,626,412)
Increase in operating receivables	(551,995,085)	(96,893,898)
Decrease in operating payables	(420,326,351)	(629,053,857)
Net cash flows from operating activities	<u>624,303,281</u>	<u>246,092,987</u>

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

Endorsement of notes receivable

	2017	2016
Goods and services purchased by endorsement of notes receivable	<u>1,905,416,787</u>	<u>1,494,059,657</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
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17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(35) Notes to the Company's cash flow statement (Continued)

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

(i) Endorsement of notes receivable

	2017	2016
Long-term assets acquired by endorsement of notes receivable	97,524,405	85,429,741
Construction expenditures paid on behalf by endorsement of notes receivable	32,086,850	154,440,601
	<u>129,611,255</u>	<u>239,870,342</u>

(ii) Contribution to QDP Logistics by fixed assets

	2017	2016
Contribution to QDP Logistics by fixed assets	<u>8,244,787</u>	<u>84,162,967</u>

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

(i) Discounted notes receivable

	2017	2016
Short-term borrowings payment deducted by previously discounted notes receivable fall due	<u>241,430,715</u>	<u>528,740,728</u>

(ii) The Company completed proposed subscription of domestic shares to Shanghai China Shipping Terminal, and Shanghai China Shipping Terminal paid 20% of its equity interests of QQCT evaluating as RMB 3,198,650,840 as part of the consideration (Note 6(9) (a)).

(e) Net movements in cash

	2017	2016
Cash at end of year	4,285,781,741	2,183,155,558
Less: Cash at beginning of year	<u>(2,183,155,558)</u>	<u>(1,374,435,149)</u>
Net increase in cash	<u>2,102,626,183</u>	<u>808,720,409</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

(35) Notes to the Company's cash flow statement (Continued)

(f) Cash

	31 December 2017	31 December 2016
Cash at bank and on hand (Note 17(1))	4,699,877,447	2,253,873,559
Less: Term deposits with initial term of over 3 months	(25,000,000)	(42,000,000)
Other restricted cash balances	(389,095,706)	(28,718,001)
Cash at end of year	<u>4,285,781,741</u>	<u>2,183,155,558</u>

(g) Cash received relating to other operating activities

	2017	2016
Rental income from port facilities	207,414,871	130,164,433
Interest from cash at bank	18,045,314	10,326,474
Deposits and guarantee	17,993,802	—
Commission from port construction fees	14,878,230	13,855,421
Government grants received	8,452,905	6,156,331
Port construction fee collected on behalf of other parties	6,688,972	44,254,582
Purchases of goods paid on behalf of other parties	—	29,818,160
Land use tax refund	—	11,863,811
Railage collected on behalf of related parties	—	2,939,204
Others	2,327,526	2,727,941
	<u>275,801,620</u>	<u>252,106,357</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
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17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(35) Notes to the Company's cash flow statement (Continued)

(h) Cash paid relating to other operating activities

	2017	2016
Intermediary service fee	32,946,215	—
General office expenses and entertainment expenses	15,402,402	—
Railage paid on behalf of related parties	7,276,401	—
Purchases of goods paid on behalf of other parties	2,811,306	—
Publicity expenses	1,025,591	—
Payments to Qingdao Port Group for matured notes received previously	—	67,988,440
Deposits and guarantees	—	41,733,013
Port construction fees paid on behalf of other parties	—	14,445,979
Intermediary service fee	—	9,616,036
Others	15,433,512	14,483,355
	<u>74,895,427</u>	<u>148,266,823</u>

(i) Cash received relating to other investing activities

	2017	2016
Received loans provided to related parties	60,000,000	370,000,000
Net expenditures of entrusted construction	—	39,080,753
	<u>60,000,000</u>	<u>409,080,753</u>

(j) Cash paid relating to other investing activities

	2017	2016
Net expenditures of entrusted construction	22,574,570	—
Loans provided to related parties	1,385,000,000	3,055,000,000
	<u>1,407,574,570</u>	<u>3,055,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS

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

(35) Notes to the Company's cash flow statement (Continued)

(k) Cash paid relating to other financing activities

	2017	2016
Payables to Qingdao Port Group	417,577,939	104,719,124
Listing service fees paid to intermediary agent	13,009,480	—
Repayment of interest to Qingdao Port Leasing	2,975,529	—
Issuance expenses paid	—	18,424,528
	<u>433,562,948</u>	<u>123,143,652</u>

(36) Related parties and related party transactions

(a) The parent company and subsidiaries

The general information of the parent company is set out in Note 10(1). The general information and other related information of the subsidiaries is set out in Note 8.

(b) Information of joint ventures and associates

The general information and other related information of joint ventures and associates are set out in Note 10(3). Related information of other related parties is set out in Note 10(4).

(c) Related party transactions

(i) Pricing policies

The transaction between the Company and related parties is based on mutually agreed price and settlement terms between both parties in the process of general business. Rental from and to related parties are negotiated by both parties. Interest rate of deposits in related parties is determined by both parties based on the corresponding bank benchmark interest rate of People's Bank of China.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
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17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(36) Related parties and related party transactions (Continued)

(c) Related party transactions (Continued)

(ii) Purchase of goods and receiving of services

	2017	2016
QDOT	574,434,108	491,247,292
Qingdao Port Engineering	266,050,399	636,363,425
QDP Logistics	199,491,986	146,696,932
China Marine Bunker Qingdao	143,208,920	97,603,870
DMT	53,828,541	—
Huaneng Qingdao	27,784,246	36,233,496
Datang Port	20,524,671	9,314,031
Ocean Shipping Repair	12,222,299	11,120,881
Qingdao Port Properties	6,783,019	—
Hongyu Hotel	6,564,884	3,189,851
Fuwai Hospital	6,488,140	4,855,093
Gangrong Storage	5,815,725	8,313,415
Tongze Trading	5,205,415	5,290,352
Technology Company	2,627,457	13,877,694
Svitzer Towage	2,453,746	1,752,544
Mercuria Logistics	1,536,908	—
Culture Media	1,472,728	1,448,270
Tongbao Shipping	548,541	2,449,364
West United	230,044	1,116,604
Lianjie Logistics	15,376	8,571,811
Others	3,595,826	4,766,003
	1,340,882,979	1,484,210,928

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(All amounts in RMB Yuan unless otherwise stated)

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

(36) Related parties and related party transactions (Continued)

(c) Related party transactions (Continued)

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

	2017	2016
QDP Logistics	160,433,819	64,677,333
Dongjiakou IMC Logistics	68,785,196	849,057
Qingdao Ocean Shipping Agency	50,733,556	50,492,079
QQCT	44,737,333	41,981,820
Qingdao Shihua	26,052,587	24,554,633
Svitzer Towage	23,739,245	19,731,604
QDOT	22,914,347	15,215,127
DMT	22,750,009	6,295,083
COSCO Shipping Lines Qingdao	19,391,254	4,599,307
QQCTN	14,062,043	3,108,774
QQCTU	11,379,092	8,903,010
Datang Port	10,310,096	5,453,100
Binzhou Port QDP International Terminal	9,825,956	9,305,320
Gangrong Storage	9,016,298	15,430,158
Mercuria Storage	7,284,353	936,815
West United	6,640,612	5,894,759
Qingdao Port Group	5,524,554	163,929
QQCTUA	4,741,847	1,650,194
Ganghua Logistics	4,421,147	19,108,896
Yantai Logistics	4,258,867	766,850
Ocean & Great Asia	2,830,003	2,767,478
Mercuria Logistics	2,162,946	1,896,038
Qingdao Port Engineering	1,894,371	1,283,393
QD Cruise Port Development	1,849,905	8,099,837
Qingdao Port Properties	1,731,849	—
QDP Investment Group	1,644,086	25,098
Weifang Port Lianhua	1,547,141	—
Lianxin Logistics	1,407,405	22,154
Lianjie Logistics	1,335,208	2,469,146
Ocean Shipping Repair	1,294,997	52,502
Lianhua Pipeline	1,221,263	—
Shanghai Pan-Asia Shipping	1,099,625	7,216
Evergreen Container	1,001,595	1,790,857

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For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

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

(36) Related parties and related party transactions (Continued)

(c) Related party transactions (Continued)

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

	2017	2016
COSCO Shipping Logistics	934,606	—
Eimskip Coldchain	858,238	2,105,166
QD International Cruise	831,063	—
China Marine Bunker Qingdao	829,573	544,463
Qingwei Container	777,778	—
E-Link Logistics	735,295	23,703
Ocean shipping tally services	721,289	189,138
Technology Company	693,687	12,910
Shenzhouxing Cargo Agency	605,609	75,761
COSCO Shipping Freight	186,952	1,837,165
Others	5,674,014	6,600,414
	<u>560,870,709</u>	<u>328,920,287</u>

(iv) Provision of construction services

	2017	2016
Mercuria Storage	21,708,247	24,621,261
Weifang Port Lianhua	16,319,189	—
QQCTN	16,141,068	—
Qingdao Shihua	13,495,305	2,098,556
QDOT	14,887,747	120,682,650
Lianhua Pipeline	10,233,101	—
DMT	8,576,298	29,075,675
QDP Investment Group	5,094,364	19,406,476
Qingdao Port Engineering	4,107,757	3,699,649
QQCT	3,720,708	4,337,404
QDP Logistics	1,642,434	911,058
Lianjie Logistics	818,346	—
Qingdao Port Group	531,600	881,616
Ocean Shipping Tally	513,333	1,234,890
West United	134,486	1,479,839
QQCTU	—	1,576,347
Datang Port	—	3,121,869
Others	2,427,935	3,762,100
	<u>120,351,918</u>	<u>216,889,390</u>

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For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(36) Related parties and related party transactions (Continued)

(c) Related party transactions (Continued)

(v) Sales of port machinery and other machineries

	2017	2016
QDOT	106,152,230	4,707,447
QQCT	78,244,461	17,672,608
QQCTN	62,685,459	169,924,342
Bonded Logistics Centre	9,871,795	64,237
Mercuria Storage	9,540,621	—
DMT	3,166,498	4,127,604
QQCTU	788,079	1,039,316
West United	—	5,018,803
QHVTC	—	1,931,624
Others	1,622,197	1,523,077
	<u>272,071,340</u>	<u>206,009,058</u>

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

	2017	2016
QQCT	131,829,484	127,119,419
QDOT	118,105,052	111,604,735
QQCTUA	14,379,311	675,192
QDP Logistics	13,257,916	15,298,842
West United	12,909,422	15,311,836
QQCTN	9,346,478	11,960,284
Qingdao Shihua	9,336,035	12,519,653
DMT	8,209,717	8,959,471
Lianjie Logistics	8,110,298	5,986,140
Tongze Trading	7,838,216	11,950,797
Svitzer Towage	7,697,419	6,428,607
Lianhua Pipeline	7,351,029	32,698
QQCTU	6,641,548	5,345,365
Qingdao Port Engineering	6,508,304	7,977,373
Mercuria Storage	6,319,773	10,675,112
Evergreen Container	3,801,631	3,483,927

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

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

(36) Related parties and related party transactions (Continued)

(c) Related party transactions (Continued)

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

	2017	2016
Qingdao Port Group	3,289,879	681,341
Shenzhouxing Cargo Agency	3,281,456	1,387,259
Eimskip Coldchain	3,209,785	3,580,604
Mercuria Logistics	3,205,774	3,354,544
QD Cruise Port Development	2,992,680	2,878,436
Tongbao Shipping	2,826,208	1,753,982
Orient Container	2,363,789	1,986,120
QDP Investment Group	2,237,912	1,947,820
QD International Cruise	2,093,990	—
Huaneng Qingdao	1,892,742	1,935,784
Qingdao Port Properties	1,836,536	2,395,361
Haiwan Liquid Chemical	1,416,493	1,718,075
Bonded Logistics Centre	1,196,809	1,432,841
Qingdao Port Public Security Bureau	1,121,555	1,297,129
Datang Port	981,919	651,094
Technology Company	934,463	1,204,998
Ocean Shipping Tally	699,063	1,716,841
Ocean Shipping Repair	177,903	1,646,972
Binzhou Port QDP International Terminal	15,479	4,257,150
Others	5,188,645	6,971,990
	<u>412,604,713</u>	<u>398,127,792</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(36) Related parties and related party transactions (Continued)

(c) Related party transactions (Continued)

(vii) Rental income

	2017	2016
QQCT	229,062,846	201,342,254
Qingdao Shihua	40,315,238	31,507,424
Shenzhouxing Cargo Agency	16,232,860	5,622,499
Lianxin Logistics	12,289,911	1,838,441
QDOT	11,816,446	11,922,344
QQCTU	9,362,741	1,210,360
Evergreen Container	9,221,091	6,870,679
Lianjie Logistics	8,824,867	68,923
Orient Container	6,131,729	6,085,400
Ocean & Great Asia	5,774,381	5,898,064
Binzhou Port QDP International Terminal	5,522,709	—
West United	5,418,947	491,429
Eimskip Coldchain	5,238,095	5,238,095
Bonded Logistics Centre	4,152,381	8,609,524
Xin Dong Fang Container	3,879,063	—
Lianrong Logistics	3,306,695	—
Jiefeng Logistics	2,821,079	14,769
QQCTN	2,642,017	2,575,350
QQCTUA	2,438,095	—
Ocean Shipping Repair	1,500,000	—
Others	1,733,796	1,355,218
	387,684,987	290,650,773

(viii) Payment for operating lease rental

	2017	2016
Qingdao Port Group	73,440,369	67,026,297
QDP Investment Group	2,302,563	2,316,591
Qingdao Port Engineering	451,497	1,107,013
	76,194,429	70,449,901

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

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

(36) Related parties and related party transactions (Continued)

(c) Related party transactions (Continued)

(ix) Port management income collected by related parties on behalf of the Company

	2017	2016
Qingdao Shihua	102,273,578	68,902,867
QQCT	84,692,918	79,325,215
QQCTU	27,717,728	28,911,870
QDOT	8,268,161	9,359,640
West United	6,388,217	6,063,884
QQCTUA	5,684,166	5,900,844
QQCTN	3,559,200	—
	238,583,968	198,464,320

(x) Entrustment construction project for related parties

	2017	2016
Amounts paid on behalf to external parties-		
Qingdao Port Group	27,876,295	138,490,913
Qingdao Shihua	13,430,471	5,908,710
QQCTN	9,757,126	8,185,750
Mercuria Storage	3,636,000	6,206,209
QQCTU	—	1,876,488
	54,699,892	160,668,070
Amounts received from related parties -		
Qingdao Port Group	32,248,023	157,327,521
QQCTN	26,638,182	11,620,194
Qingdao Shihua	17,683,500	1,366,430
Mercuria Storage	2,545,200	12,822,203
Mercuria Logistics	—	84,817,544
QQCTU	—	4,536,219
	79,114,905	272,490,111

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(36) Related parties and related party transactions (Continued)

(c) Related party transactions (Continued)

(xi) Loans provided to and acquired from related parties

	2017	2016
Borrowed -		
Qingdao Finance	<u>405,000,000</u>	<u>260,000,000</u>
Loans provided -		
QQCT	900,000,000	—
Lianhua Pipeline	365,000,000	500,000,000
Mercuria Logistics	63,566,441	160,000,000
QQCTU	50,000,000	675,000,000
Datang Port	30,000,000	—
Mercuria Storage	—	700,000,000
QDOT	—	520,000,000
QQCTN	—	440,000,000
Huaneng Qingdao	—	60,000,000
	<u>1,408,566,441</u>	<u>3,055,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
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17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(36) Related parties and related party transactions (Continued)

(c) Related party transactions (Continued)

(xii) Interest

	2017	2016
Interest income -		
Lianhua Pipeline	34,730,641	11,215,278
Mercuria Storage	31,890,723	15,307,247
QQCTU	28,218,062	21,481,875
QDOT	21,321,226	16,363,750
QQCTN	20,045,598	11,640,535
Qingdao Finance	18,330,402	12,226,768
QQCT	17,812,500	—
Mercuria Logistics	8,628,669	5,657,778
Huaneng Qingdao	862,292	1,645,800
Qingdao Shihua	—	2,527,167
Others	405,966	—
	<u>182,246,079</u>	<u>98,066,198</u>
Interest expenses -		
Qingdao Finance	10,027,214	3,334,314
Qingdao Leasing	2,975,529	—
	<u>13,002,743</u>	<u>3,334,314</u>

(xiii) Purchase of assets

	2017	2016
QDP Investment Group	121,587,047	—
Technology Company	26,633,220	—
QQCT	18,080,920	—
Eimskip Coldchain	5,421,751	—
Tongze Trading	592,006	—
	<u>172,314,944</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(36) Related parties and related party transactions (Continued)

(c) Related party transactions (Continued)

(xiv) Transfer of assets

	2017	2016
QDOT	385,742,778	5,370,945
DMT	—	880,083,851
QDP Logistics	—	1,114,817
Fuwai Hospital	—	150,303
Qingdao Shihua	—	144,935
	<u>385,742,778</u>	<u>886,864,851</u>

(xv) Amounts collected and paid on behalf of related parties

Amounts collected and paid on behalf of related parties regarding to early retirement and supplemental retirement benefits are set out in Note 10(5) (s).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
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17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(36) Related parties and related party transactions (Continued)

(d) Receivables from and payables to related parties

(i) Accounts receivable

	31 December 2017		31 December 2016	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QQCTN	318,451,145	(15,922,557)	66,793	—
QDOT	122,271,935	(6,376,062)	25,509,231	—
DMT	36,462,934	—	6,673,541	—
Mercuria Storage	30,385,471	—	19,454,791	—
QQCT	17,017,753	(859,925)	9,057,799	—
West United	12,055,203	(627,760)	16,170,006	—
Haiwan Liquid Chemical	11,485,841	(574,292)	1,015,479	—
QDP Logistics	9,688,238	—	3,334,739	—
QDP Investment Group	6,634,270	(331,713)	5,843,109	—
Qingdao Port Engineering	5,960,100	—	4,886,116	—
Bonded Logistics Centre	5,536,729	—	5,364	—
Dongjiakou IMC Logistics	5,513,568	(275,678)	—	—
Weifang Port Lianhua	5,434,300	—	—	—
Qingdao Shihua	4,718,777	(235,939)	2,206,948	—
QQCTU	4,589,623	(235,509)	5,461,269	—
Mercuria Logistics	3,852,009	—	3,237,462	—
Lianhua Pipeline	3,407,642	—	—	—
Qingdao Port Group	2,346,494	(117,325)	1,552,230	—
Tongze Trading	1,952,170	—	2,338,950	—
QQCTUA	1,198,529	(62,551)	277,237	—
Fuwai Hospital	1,136,740	(56,837)	1,580,000	—
Ocean Shipping Repair	1,074,540	—	—	—
Lianjie Logistics	959,731	—	—	—
Datang Port	836,525	—	3,215,525	—
Binzhou Port QDP				
International Terminal	350,000	(17,500)	2,283,800	—
Others	1,575,170	(56,220)	2,702,126	—
	614,895,437	(25,749,868)	116,872,515	—

(ii) Advance to suppliers

	31 December 2017	31 December 2016
Tongze Trading	1,150,000	1,863,133
Technology Company	322,000	288,000
Hongyu Hotel	286,000	308,000
QDP Logistics	264,457	—
	2,022,457	2,459,133

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For the year ended 31 December 2017

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

(36) Related parties and related party transactions (Continued)

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

(iii) Other receivables

	31 December 2017		31 December 2016	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Provision of loans -				
QQCTU	50,000,000	(750,000)	—	—
Huaneng Qingdao	—	—	60,000,000	—
	50,000,000	(750,000)	60,000,000	—
Others -				
QDOT	221,715,115	(11,085,756)	6,609,218	—
Mercuria Logistics	73,639,621	—	50,073,180	—
Qingdao Port Engineering	43,579,654	—	68,814,111	—
West United	5,250,575	(262,529)	—	—
QQCTU	3,680,100	(934,005)	7,557,329	—
Xin Dong Fang Container	3,097,126	(154,856)	—	—
Dongjiakou IMC Logistics	2,606,329	(130,316)	—	—
Binzhou Port QDP				
International Terminal	1,971,652	(98,583)	3,480,866	—
QDP Logistics	1,600,800	—	1,058,291	—
Mercuria Storage	1,090,800	—	—	—
DMT	724,500	—	295,836,459	—
Tongze Trading	602,152	—	42,728	—
Qingdao Finance	598,414	—	528,413	—
Orient Container	472,000	(23,600)	—	—
Qingdao Shihua	194,613	(9,731)	11,835,147	—
QQCTN	—	—	179,909,867	—
QQCT	—	—	1,887,164	—
Others	524,958	(26,248)	1,997,488	—
	361,348,409	(12,725,624)	629,630,261	—
	411,348,409	(13,475,624)	689,630,261	—

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For the year ended 31 December 2017
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17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(36) Related parties and related party transactions (Continued)

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

(iv) Interest receivable

	31 December 2017	31 December 2016
Qingdao Finance	11,350,265	4,171,446
QQCT	1,306,250	—
Mercuria Storage	1,079,889	987,528
QQCTU	1,028,333	881,719
Lianhua Pipeline	765,938	263,889
QDOT	741,000	679,250
QQCTN	696,667	638,611
Mercuria Logistics	311,389	232,222
Datang Port	43,542	—
Huaneng Qingdao	—	77,553
	<u>17,323,273</u>	<u>7,932,218</u>

(v) Long-term receivables

	31 December 2017		31 December 2016	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QQCT	900,000,000	(9,000,000)	—	—
Lianhua Pipeline	865,000,000	—	500,000,000	—
Mercuria Storage	700,000,000	—	700,000,000	—
QQCTU	675,000,000	(16,875,000)	675,000,000	—
QDOT	520,000,000	(13,000,000)	520,000,000	—
QQCTN	440,000,000	(11,000,000)	440,000,000	—
Mercuria Logistics	200,000,000	—	160,000,000	—
Datang Port	30,000,000	—	—	—
	<u>4,330,000,000</u>	<u>(49,875,000)</u>	<u>2,995,000,000</u>	<u>—</u>

(vi) Short-term borrowings

	31 December 2017	31 December 2016
Qingdao Finance	<u>315,000,000</u>	<u>245,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(36) Related parties and related party transactions (Continued)

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

(vii) Notes payable

	31 December 2017	31 December 2016
Tongze Trading	55,241,372	74,329,839
QDOT	13,000,000	—
Qingdao Port Group	—	42,677,298
	<u>68,241,372</u>	<u>117,007,137</u>

(viii) Accounts payable

	31 December 2017	31 December 2016
QDOT	152,943,878	143,909,670
Tongze Trading	103,860,006	91,543,089
QDP Logistics	52,534,275	157,202,411
Qingdao Port Engineering	18,198,887	7,737,293
Huaneng Qingdao	5,607,864	12,692,154
China Marine Bunker Qingdao	2,677,500	—
Technology Company	698,637	428,470
Eimskip Coldchain	693,635	614,113
Others	785,091	400,030
	<u>337,999,773</u>	<u>414,527,230</u>

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

(36) Related parties and related party transactions (Continued)

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

(ix) Advances from customers

	31 December 2017	31 December 2016
QQCT	197,421,375	197,421,375
Ganghua Logistics	3,747,711	—
QQCTN	2,518,940	2,518,940
Qingdao Port Group	2,345,044	—
Qingdao Shihua	2,220,000	2,220,000
QQCTU	1,210,360	1,210,360
Eimskip Coldchain	—	4,125,000
Others	241,152	—
	209,704,582	207,495,675

(x) Other payables

	31 December 2017	31 December 2016
Qingdao Port Engineering Technology Company	116,522,696	634,762,990
QQCTN	43,520,404	43,824,100
QDP Investment Group	30,558,855	—
Tongze Trading	29,258,654	1,205,508
Qingdao Port Properties	6,243,606	4,998,344
QDP Logistics	1,491,000	—
QDP Investment Real Estate	1,205,708	1,040,278
Port Engineering Design Institute	932,906	600
Bonded Logistics Centre	889,800	376,600
United Shipping Agency	834,831	1,500
Qingdao Port Group	500,000	500,000
Others	—	477,613,641
	1,880,029	1,963,378
	233,838,489	1,166,286,939

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(36) Related parties and related party transactions (Continued)

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

(xi) Interest payable

	31 December 2017	31 December 2016
Qingdao Finance	409,021	325,646

(xii) Other non-current liabilities

	31 December 2017	31 December 2016
QQCT	3,013,193,560	3,210,614,935
QQCTN	52,897,740	55,416,680
QQCTU	16,138,133	17,348,493
Qingdao Shihua	—	2,220,000
	3,082,229,433	3,285,600,108

(xiii) Current portion of non-current liabilities

	31 December 2017	31 December 2016
Qingdao Leasing	1,500,480	—

(xiv) Long-term payables

	31 December 2017	31 December 2016
Qingdao Leasing	62,163,660	—

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)

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

(36) Related parties and related party transactions (Continued)

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

(xv) Cash at bank and on hand

	31 December 2017	31 December 2016
Qingdao Finance	<u>4,225,670,769</u>	<u>2,127,988,549</u>

(e) Commitments in relation to related parties

Except for the Port Facilities in Qianwan port area leased out to QQCT and dock basin leased to QQCTN and QQCTU stated in Note 6(29), the commitments in relation to related parties contracted for but not yet necessary to be recognised on the balance sheet by the Group as at the balance sheet date are as follows:

Leases - Lessee

	31 December 2017	31 December 2016
Svitzer Towage	<u>9,750,000</u>	<u>11,050,000</u>

Leases - Lessor

	31 December 2017	31 December 2016
QQCT	415,445,000	429,150,000
Eimskip Coldchain	12,375,000	—
Lianxin Logistics	3,750,000	4,250,000
Binzhou Port QDP International Terminal	6,498,000	—
Ocean Shipping Repair	1,125,000	—
Evergreen Container	36,000	—
Shenzhouxing Cargo Agency	—	4,267,680
	<u>439,229,000</u>	<u>437,667,680</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(36) Related parties and related party transactions (Continued)

(f) Benefits and interests of directors

Benefits and interests of directors of the Company are set out in Note 10(8).

(g) Five highest paid individuals

Five highest paid individuals of the Company are set out in Note 10(9).

(37) Investment commitments

In accordance with the joint venture agreement signed by the Company, Yijia Haiye and Mercuria Energy Asia Pte. Ltd. in December 2013, the three parties planned to complete the joint venture with Mercuria Energy Asia Pte. Ltd. by means of increasing in capital and share. The Company is committed to making an investment of RMB 263,562,264 in the subsidiary Mercuria Storage. As at 31 December 2017, the Company made an accumulated contribution of RMB 182,079,200 with an amount of RMB 81,483,064 unpaid.

Introduction of other significant investment commitments is set out in Note 11(3).



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