



# 青島港國際股份有限公司

QINGDAO PORT INTERNATIONAL CO., LTD.\*

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

Stock Code: 06198

## INTERIM REPORT 2018



\* For identification purpose only



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

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

# DEFINITIONS

“PRC” or “China”	the People’s Republic of China, and for the purpose of this report, excluding Hong Kong, Macau and Taiwan
“QDOT”	Qingdao Port Dongjiakou Ore Terminal Co., Ltd. (青島港董家口礦石碼頭有限公司), a joint venture in which the Company holds 30% equity interests, which is mainly engaged in the business of providing ore, coal and other cargo handling and ancillary services
“QDP”	Qingdao Port (Group) Co., Ltd. (青島港(集團)有限公司), the controlling shareholder of the Company
“Qingdao Finance”	Qingdao Port Finance Co., Ltd. (青島港財務有限責任公司), a subsidiary jointly established by the Company (holding 70% equity interests) and QDP (holding 30% equity interests), which is mainly engaged in the provision of depository services, credit granting services, financial and financing advisory services, credit assurance services and relevant consulting and agency services; trade receivables collection and payment services; and internal fund transfer and settlement services formulation of proposals for the corresponding settlement and clearing services and other financial services to QDP and its member companies
“Qingdao Shihua”	Qingdao Shihua Crude Oil Terminal Co., Ltd. (青島實華原油碼頭有限公司), a joint venture in which the Company holds 50% equity interests, which is mainly engaged in the business of providing liquid bulk handling and ancillary services
“Qingwei Container”	Weihai Qingwei Container Terminal Co., Ltd. (威海青威集裝箱碼頭有限公司), a joint venture in which the Company holds 49% equity interests, which is mainly engaged in the business of providing container handling and ancillary services
“QQCT”	Qingdao Qianwan Container Terminal Co., Ltd. (青島前灣集裝箱碼頭有限責任公司), a joint venture in which the Company holds 51% equity interests (it is not consolidated into consolidated financial statements of the Company as the Company does not have control over it), which is mainly engaged in the business of providing container handling and ancillary services
“Supervisor(s)”	the supervisor(s) of the Company
“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
“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 (it is not consolidated into consolidated financial statements of the Company as the Company does not have control over it), and which is mainly engaged in the business of providing dry bulk cargo and break bulk cargo handling and ancillary services

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

\* Certain amounts and percentage figures included in this report have been subject to rounding.





## COMPANY PROFILE

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

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

# CORPORATE INFORMATION

## CHINESE NAME OF THE COMPANY

青島港國際股份有限公司

## ENGLISH NAME OF THE COMPANY

Qingdao Port International Co., Ltd.

## LEGAL REPRESENTATIVE

Mr. ZHENG Minghui

## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

- (1) Headquarters in the PRC:  
7 Ganghua Road  
City North District, Qingdao  
Shandong Province, PRC
- (2) Principal Place of Business in Hong Kong:  
31/F, 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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## EMAIL

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## WEBSITE

<http://www.qingdao-port.com>

## BOARD OF DIRECTORS

### (1) Executive Directors

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

### (2) Non-executive Directors

Mr. ZHANG Wei  
Mr. ZHANG Jiangnan  
Mr. CHU Xiaozhong (appointed on 15 August 2018)

### (3) Independent Non-executive Directors

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

# CORPORATE INFORMATION

## SUPERVISORY COMMITTEE

Mr. ZHANG Qingcai (*Chairman*)  
Mr. LI Wucheng  
Mr. LI Xuxiu  
Mr. LIU Dengqing  
Mr. LIU Shuiguo (appointed on 15 August 2018)  
Ms. WANG Xiaoyan (appointed on 15 August 2018)

## COMPANY SECRETARY

Mr. CHEN Fuxiang

## AUTHORISED REPRESENTATIVES

Mr. ZHENG Minghui  
Mr. CHEN Fuxiang

## SPECIAL COMMITTEES OF BOARD OF DIRECTORS

### (1) Strategy and Development Committee

Mr. ZHENG Minghui (*Chairman*)  
Mr. JIAO Guangjun  
Mr. ZHANG Wei  
Mr. ZHANG Jiangnan  
Mr. CHU Xiaozhong  
Ms. JIANG Chunfeng  
Mr. WANG Yaping

### (2) Audit Committee

Mr. CHAU Kwok Keung (*Chairman*)  
Mr. YANG Qiulin  
Mr. CHU Xiaozhong

### (3) Nomination Committee

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

### (4) Remuneration Committee

Mr. WANG Yaping (*Chairman*)  
Mr. JIAO Guangjun  
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

## PRINCIPAL BANKERS

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## I. INTERNATIONAL AND DOMESTIC SITUATION

### 1. General Situation

In the first half of 2018, the world economy showed signs of recovery and the domestic economy continued to maintain a stable growth trend on the whole and saw a good start for high quality development. The gross domestic product (GDP) of China increased by 6.8% as compared to the same period in the prior year. The total export and import trade value of China increased by 4.9% and 11.5% as compared to the same period in the prior year, respectively. (Statistics source: National Bureau of Statistics of the PRC)

### 2. Operation of the Port Industry

China's foreign trade continued to stay steady. In the first half of 2018, the national coastal cargo throughput and the container throughput increased by 4.3% and 5.5% as compared to the same period in the prior year, respectively. (Statistics source: Ministry of Transport of the PRC)

## II. REVIEW OF BUSINESS AND FINANCIAL RESULTS OF THE GROUP

### 1. Overall Review

With the focus of economic efficiency and benefits and the main line of innovation-driven development, the Group has stuck to its strategic goals, stepped up efforts in serving supply-side reform, sped up the switch of driving forces, expanded and enhanced the terminal stevedoring business, and continued the extensive development of the modern logistics business, deeply implemented its three strategies of "finance, internationalization and internet", improved the quality and efficiency and innovated in development, so as to advance its sustainable and healthy development.

For the six months ended 30 June 2018, the cargo throughput of the Group together with its joint ventures and an associate (without taking into account the respective shareholding percentage the Company has in those joint ventures and associate) reached 237.26 million tons, representing an increase of 4.7% as compared to the same period in the prior year, among which, the foreign trade cargo throughput reached 185.48 million tons, representing an increase of 6.4% as compared to the same period in the prior year and the container throughput reached 9.38 million TEUs, representing an increase of 3.2% as compared to the same period in the prior year.

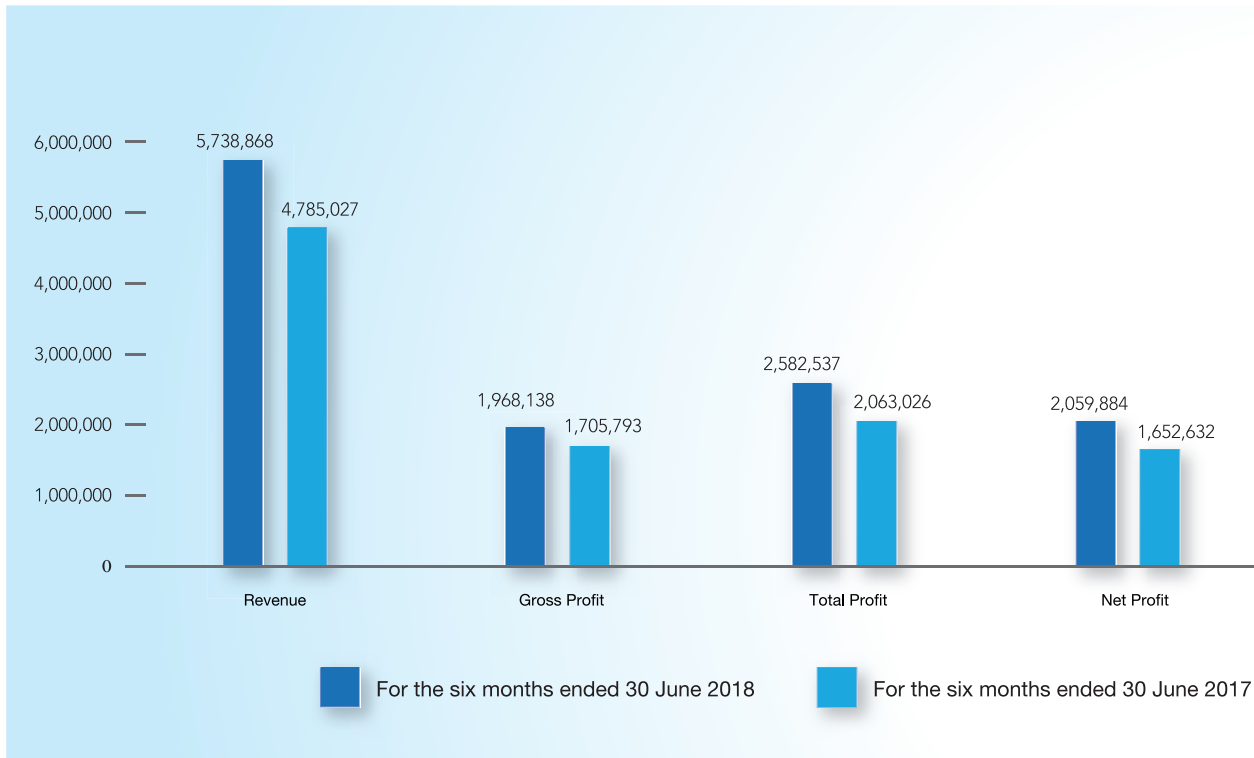
Fully leveraging on its resource strengths in hardware facilities and value-added services, the Group tracked the development trends of the major cargoes including containers, dry bulk and liquid bulk, profoundly tapped the resource potentials of terminals, warehouses, railways and pipelines, continued to improve the functions of ports, facilitated the scale and efficiency improvement for terminal stevedoring business, expanded the industry system and business scale of emerging businesses, and developed new space for the sustainable and healthy development of ports. The particulars are as follows:



# MANAGEMENT DISCUSSION AND ANALYSIS

## Comparison of Major Operating Indicators

Unit: RMB'000



For the six months ended 30 June 2018, the Group recorded a revenue of RMB5,739 million, representing an increase of RMB954 million, or 19.9%, as compared to the same period in the prior year, mainly due to the increase in the revenue from the liquid bulk handling and ancillary services segment and the logistics and port value-added services segment.

For the six months ended 30 June 2018, the Group recorded a gross profit of RMB1,968 million, representing an increase of RMB262 million, or 15.4%, as compared to the same period in the prior year, mainly due to the increase in gross profit from the liquid bulk handling and ancillary services.

For the six months ended 30 June 2018, the share of profit of associates and joint ventures of the Group amounted to RMB661 million, representing an increase of RMB150 million, or 29.4%, as compared to the same period in the prior year, mainly due to the increase in the investment income from the container handling and ancillary services segment and the liquid bulk handling and ancillary services segment.

For the six months ended 30 June 2018, the Group realized a total profit of RMB2,583 million, representing an increase of RMB520 million, or 25.2%, as compared to the same period in the prior year.

For the six months ended 30 June 2018, the net profit of the Group amounted to RMB2,060 million, representing an increase of RMB407 million, or 24.6% as compared to the same period in the prior year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 2. Segment Review

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

### Proportion of Business Segment Results

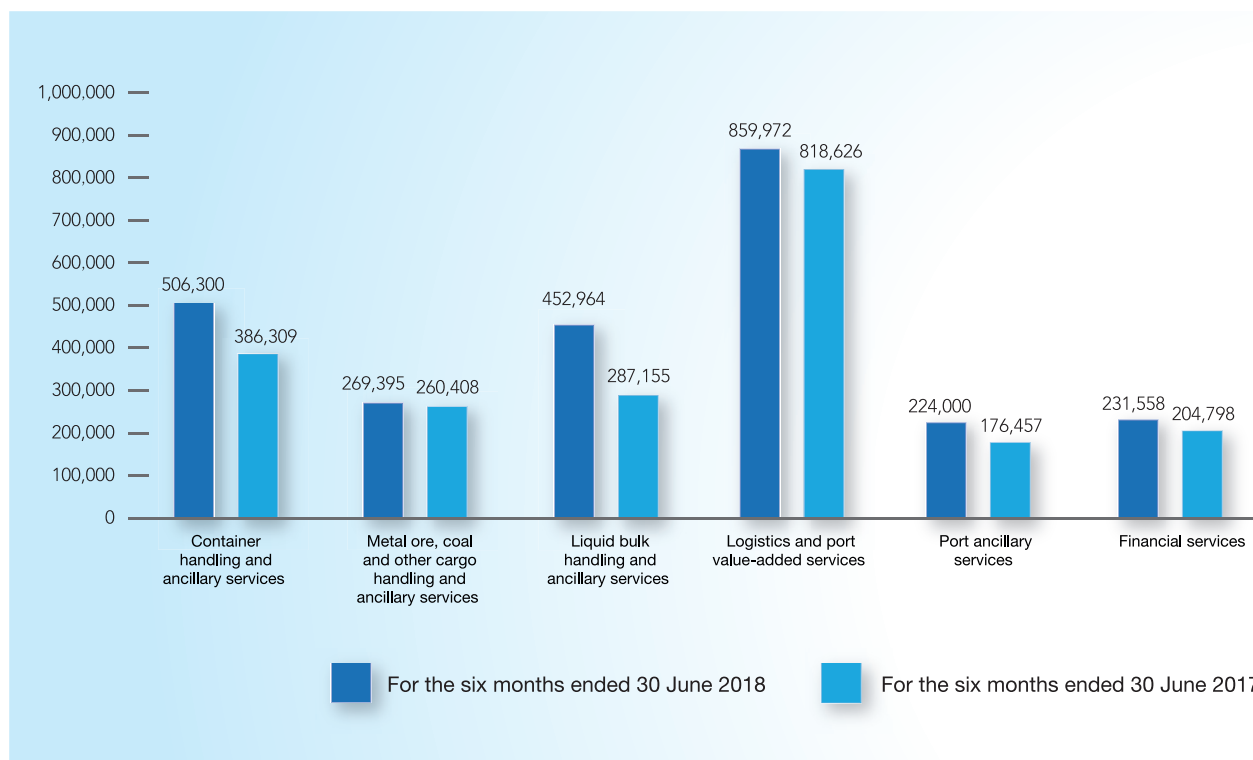
Unit: RMB'000

Business Segments	For the six months ended 30 June				Change
	2018		2017		
	Amount	Proportion	Amount	Proportion	
Container handling and ancillary services	506,300	19.9%	386,309	18.1%	31.1%
Metal ore, coal and other cargo handling and ancillary services	269,395	10.6%	260,408	12.2%	3.5%
Liquid bulk handling and ancillary services	452,964	17.8%	287,155	13.4%	57.7%
Logistics and port value-added services	859,972	33.8%	818,626	38.4%	5.1%
Port ancillary services	224,000	8.8%	176,457	8.3%	26.9%
Financial services	231,558	9.1%	204,798	9.6%	13.1%
Total results before inter-segment elimination	2,544,189	100.0%	2,133,753	100.0%	19.2%

# MANAGEMENT DISCUSSION AND ANALYSIS

## Comparison of Business Segment Results

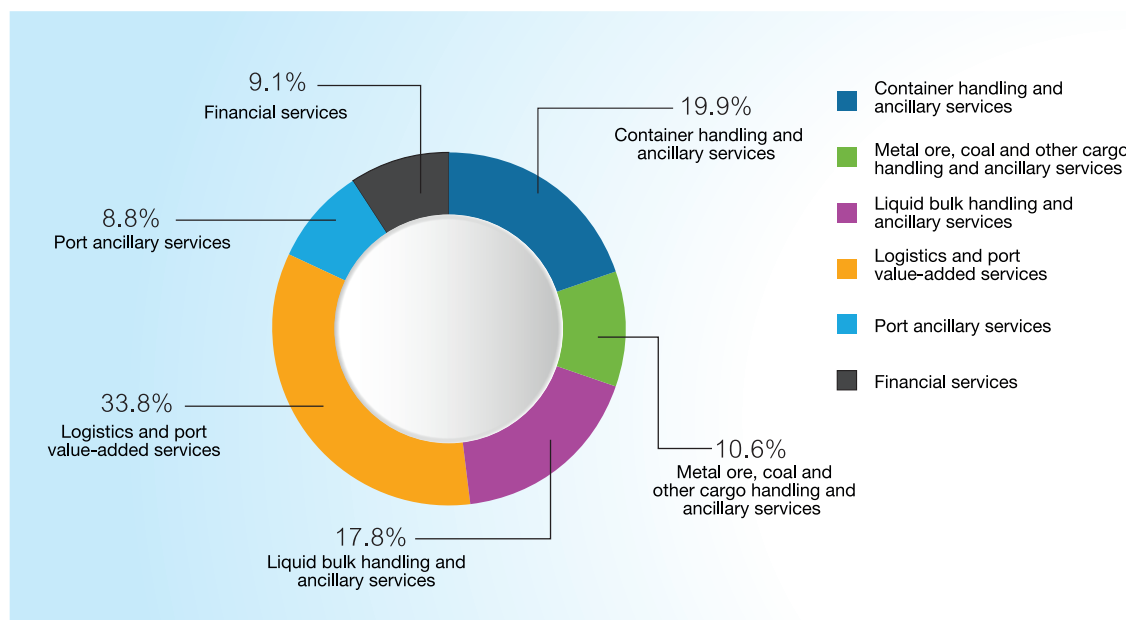
Unit: RMB'000





# MANAGEMENT DISCUSSION AND ANALYSIS

**Breakdown of results of each business segment for the six months ended 30 June 2018**



# MANAGEMENT DISCUSSION AND ANALYSIS

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

## (1) Container handling and ancillary services

Unit: RMB'000

Item	For the six months ended 30 June			
	2018	2017	Amount Changed	Percentage Changed
<b>Consolidated Group Companies</b>				
Revenue	112,733	112,040	693	0.6%
Cost of sales	34,372	35,529	-1,157	-3.3%
Gross profit	78,361	76,511	1,850	2.4%
<b>Profit of Consolidated Group</b>				
<b>Companies</b>	<b>75,590</b>	<b>82,045</b>	<b>-6,455</b>	<b>-7.9%</b>
<b>Joint Ventures</b>				
Revenue	1,889,940	1,746,494	143,446	8.2%
Cost of sales	710,553	589,095	121,458	20.6%
<b>Share of profit of joint ventures</b>	<b>430,710</b>	<b>304,264</b>	<b>126,446</b>	<b>41.6%</b>
<b>Segment result</b>	<b>506,300</b>	<b>386,309</b>	<b>119,991</b>	<b>31.1%</b>

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

For the six months ended 30 June 2018, the Group innovated its marketing model and developed the transshipment channel for the main routes of ports in Northern China to accelerate constructing the "International Hub Port in Northeast Asia". The main breakthroughs achieved were as follows:

- (1) The Group further implemented the headquarters strategy for shipping companies, innovated its business policies and attracted shipping companies to increase international container routes. The Group optimized the layout of domestic routes, densified the transshipment route network, and formally opened the international routes of container shipment in Dongjiakou Port Area. The newly-increased container routes amounted to 12 and the transit shipment volume grew by 13% as compared to the same period in the prior year;
- (2) The Group newly established and operated three inland ports and opened three sea-rail intermodal routes, further strengthening its influence over the inland market. The Group increased its sea-rail intermodal transportation routes to 37 and achieved a container volume of 517,000 TEUs under the sea-rail intermodal transportation, representing an increase of 54.2% as compared to the same period in the prior year; and

# MANAGEMENT DISCUSSION AND ANALYSIS

- (3) With the newly-set world record of a single-machine operating rate of 42.9 units/hour, the fully automatic container terminal further enhanced the operating efficiency of the Group's container terminals and released space for the continuous development of the container business.

For the six months ended 30 June 2018, the segment result of container handling and ancillary services was RMB506 million, representing an increase of RMB120 million or 31.1% as compared to the same period in the prior year. Such increase was mainly due to the increase of the Company's shareholding in QQCT from 31% to 51% in May 2017.

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

Unit: RMB'000

	For the six months ended 30 June			
Item	2018	2017	Amount Changed	Percentage Changed
Consolidated Group Companies				
Revenue	1,498,220	1,575,425	-77,205	-4.9%
Cost of sales	1,128,796	1,206,616	-77,820	-6.4%
Gross profit	369,424	368,809	615	0.2%
Profit of Consolidated Group				
Companies	243,316	240,394	2,922	1.2%
Joint Ventures				
Revenue	770,099	731,657	38,442	5.3%
Cost of sales	551,628	530,874	20,754	3.9%
Share of profit of joint ventures	26,079	20,014	6,065	30.3%
Segment result	269,395	260,408	8,987	3.5%

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

For the six months ended 30 June 2018, the Group enlarged the mixing ore business and coke business, offsetting the unfavorable impacts caused by the ongoing de-capacity in China's steel industry and the relocation of steel mills in the hinterland. The main breakthroughs achieved were as follows:

- (1) The Group accelerated its pace of establishing the largest national "Ore Supermarket", and built a stronger mixing ore brand of "Qingdao Port Standard Ore", with an increase of 23.7% in mixing ore business volume over the same period in the prior year;
- (2) The Group seized market opportunities, made elaborate plans for the linkage of coke and ore businesses, realized full-loaded cargo collection and distribution, and expanded the markets and customers in new hinterland areas, with an increase of 127.9% in coke cargo throughput over the same period in the prior year; and



# MANAGEMENT DISCUSSION AND ANALYSIS

- (3) The Group expanded the “door-to-door” whole-process logistics services, successfully achieving new improvements in respect of cargos including non-ferrous mine, vehicle equipment, pulp, etc.

For the six months ended 30 June 2018, the revenue of metal ore, coal and other cargo handling and ancillary services was RMB1,498 million, representing a decrease of RMB77 million as compared to the same period in the prior year, which was mainly due to revenue decrease in iron ore whole-process stevedoring and handling business. The gross profit amounted to RMB369 million, remaining basically unchanged as compared to the same period in the prior year. The segment result was RMB269 million, representing an increase of RMB90 million, or 3.5%, as compared to the same period in the prior year.

## (3) Liquid bulk handling and ancillary services

Unit: RMB'000

Item	For the six months ended 30 June			
	2018	2017	Amount Changed	Percentage Changed
<b>Consolidated Group Companies</b>				
Revenue	440,585	230,833	209,752	90.9%
Cost of sales	133,118	54,963	78,155	142.2%
Gross profit	307,467	175,870	131,597	74.8%
<b>Profit of Consolidated Group</b>				
Companies	268,350	150,289	118,061	78.6%
<b>Joint Ventures</b>				
Revenue	952,607	775,922	176,685	22.8%
Cost of sales	443,596	378,130	65,466	17.3%
Share of profit of joint ventures	184,614	136,866	47,748	34.9%
Segment result	452,964	287,155	165,809	57.7%

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

For the six months ended 30 June 2018, the Group captured the period with strategic opportunities brought by the rapid increase in imported crude oil, released the capacities of resources including terminals, tank areas and oil pipelines, and developed the integrated services of the whole-process logistics. The main breakthroughs achieved were as follows:

- (1) The Group enlarged the bonded tank capacity by 1.4 million cubic in Dongjiakou Port Area, leveraged the advantages of grand terminals and grand tank areas in Dongjiakou Port Area, promoted the linkage between Huangdao Oil Port Area and Dongjiakou Port Area, and released the capacity of the Dongjiakou Port- Weifang- Central and Northern Shandong Oil Pipeline Construction Project Phase I, so that the discharging volume of imported crude oil in Dongjiakou Port Area increased by 41.2% over the same period in the prior year;

# MANAGEMENT DISCUSSION AND ANALYSIS

- (2) The Group enhanced the production organization and accelerated the efficiency of the “Four Distribution Ways” comprising by railway, pipeline, highway and waterway, with a high quality and efficiency in loading and unloading of large-sized vessels, of which the distribution volume increased by 12.7% over the same period in the prior year; and
- (3) As the only port enterprise obtained the license as the one of the first batch of the designated warehouses for delivery of crude oil futures in China, Qingdao Shihua has been qualified to conduct crude oil futures delivery business.

For the six months ended 30 June 2018, the revenue of liquid bulk handling and ancillary services was RMB441 million, representing an increase of RMB210 million or 90.9% as compared to the same period in the prior year, which was mainly due to increased revenue of transportation and storage generated from the Dongjiakou Port-Weifang-Central and Northern Shandong oil pipeline and the auxiliary tanks. The segment result was RMB453 million, representing an increase of RMB166 million or 57.7% as compared to the same period in the prior year, which mainly benefited from the increase in volume of the stevedoring, pipeline transportation and storage for the liquid bulk.

## (4) Logistics and port value-added services

Unit: RMB'000

	For the six months ended 30 June			
Item	2018	2017	Amount Changed	Percentage Changed
Consolidated Group Companies				
Revenue	2,698,523	2,002,515	696,008	34.8%
Cost of sales	1,780,021	1,182,027	597,994	50.6%
Gross profit	918,502	820,488	98,014	11.9%
Profit of Consolidated Group				
Companies	821,542	769,268	52,274	6.8%
Joint ventures and an associate				
Revenue	414,918	1,089,702	-674,784	-61.9%
Cost of sales	294,263	929,925	-635,662	-68.4%
Share of profit of joint ventures				
and an associate	38,430	49,358	-10,928	-22.1%
Segment result	859,972	818,626	41,346	5.1%

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

## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2018, the Group vigorously developed the modern logistics business, continued to improve the port functions, firmly advanced the profound integration of “terminal+logistics”, accelerated the establishment of a value-added service system integrating terminal stevedoring, transportation, CFS, agency, bonded warehouse, storage, trade and inspection, and expanded the modern logistics industry groups. The main breakthroughs achieved were as follows:

- (1) For agency business, the Group reinforced the whole-process marketing and brand operation. For shipping agency business, the Group obtained the agency rights for 54 container shipping lines, with an increase of 12% in the amount of shipping agency business of the Consolidated Group Companies as compared to the same period in the prior year. As to the freight forwarding business, the Group expanded the service functions and extended the service chain, building up the service brand of “Forwarding Freight with Integrity” with an increase of 8.8% in the amount of the whole-process freight forwarding business of the Consolidated Group Companies as compared to the same period in the prior year; and
- (2) For transportation business, the Group optimized the online container pickup procedure in terminals and CFS, with an increase of 20.2% in the operation efficiency of the collection and distribution of containers; and
- (3) The Group enhanced the tugboat operation capacity and innovated in the integrated services comprising docking, hoisting and tugging for shipyards at neighboring terminals. The container sub-line shipping business continuously developed as driven by the linkage of terminal stevedoring business and the tugging business.

For the six months ended 30 June 2018, the revenue from logistics and port value-added services business reached RMB2,699 million, representing an increase of RMB696 million or 34.8% as compared to the same period in the prior year, which mainly benefited from the continuous growth of agency and transportation business. The segment results reached RMB860 million, representing an increase of RMB41 million or 5.1% as compared to the same period in the prior year, which was mainly due to the increase in profit in agency and transportation business.



# MANAGEMENT DISCUSSION AND ANALYSIS

## (5) Port ancillary services

Unit: RMB'000

	For the six months ended 30 June			
Item	2018	2017	Amount Changed	Percentage Changed
Consolidated Group Companies				
Revenue	985,282	852,073	133,209	15.6%
Cost of sales	693,914	599,637	94,277	15.7%
Gross profit	291,368	252,436	38,932	15.4%
Profit of Consolidated Group				
Companies	224,000	176,457	47,543	26.9%
Segment result	224,000	176,457	47,543	26.9%

For the six months ended 30 June 2018, the revenue from port ancillary services amounted to RMB985 million, representing an increase of RMB133 million or 15.6% as compared to the same period in the prior year, mainly attributable to the increase in revenues from ancillary services including oil supply, electricity supply and port management services. The segment results amounted to RMB224 million, representing an increase of RMB48 million or 26.9% as compared to the same period in the prior year, mainly due to an increase in the profit of port management services, information technology and other ancillary services.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (6) Financial services

Unit: RMB'000

Item	For the six months ended 30 June			
	2018	2017	Amount Changed	Percentage Changed
<b>Consolidated Group Companies</b>				
Revenue	229,157	217,927	11,230	5.2%
Cost of sales	41,623	39,976	1,647	4.1%
Gross profit	187,534	177,951	9,583	5.4%
<b>Profit of Consolidated Group</b>				
<b>Companies</b>	231,382	204,254	27,128	13.3%
<b>An associate</b>				
Revenue	177,470	69,882	107,588	154.0%
Cost of sales	174,869	61,824	113,045	182.8%
<b>Share of profit of an associate</b>	176	544	-368	-67.6%
<b>Segment result</b>	231,558	204,798	26,760	13.1%

The Group deepened the implementation of its financial strategy, regarded the integrative development model of “Industry Plus Finance” as the main line, and vigorously innovated in business model with further diversified business qualifications. For the six months ended 30 June 2018, Qingdao Finance not only met the financing demand of its members but also realized gains from its funds, conducted investment businesses including interbank negotiable certificates of deposit, wealth management and other businesses with a continuous development in loan and investment business.

For the six months ended 30 June 2018, the segment result of financial services amounted to RMB232 million, representing an increase of RMB27 million or 13.1% compared to the same period in the prior year, which was mainly due to the increase in fund utilization efficiency and the increase in profit arising from the expansion of loan business and interbank wealth management business.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 3. Financial Position Analysis

The analysis below was conducted on selected indicators with a change of more than 30%.

Unit: RMB'000

Item	As at 30 June 2018	As at 31 December 2017	Amount Changed	Percentage Changed
Cash at bank and on hand	7,244,730	11,705,176	-4,460,446	-38.1%
Other current assets	4,239,296	1,036,159	3,203,137	309.1%
Long-term receivables	2,255,298	4,395,674	-2,140,376	-48.7%
Intangible assets	2,008,936	922,024	1,086,912	117.9%
Other payables	6,776,113	9,877,014	-3,100,901	-31.4%

As at 30 June 2018, the Group's cash at bank and on hand decreased by RMB4,460 million, or 38.1% as compared to the beginning of this year, mainly due to the increase from operating activities amounting to RMB1,177 million, the increase from investment activities amounting to RMB141 million, the decrease from financing activities amounting to RMB3,294 million, and the decrease in restricted funds and fixed term deposits with maturity term of over three months amounting to RMB2,499 million.

As at 30 June 2018, the Group's other current assets increased by RMB3,203 million, or 309.1%, as compared to the beginning of this year, mainly due to the increase in interbank negotiable certificates of deposit and bond pledge-style repurchase transactions conducted by Qingdao Finance and that the bank acceptance notes were listed under other current asset according to the new financial instrument standard.

As at 30 June 2018, the Group's long-term receivables decreased by RMB2,140 million, or 48.7%, as compared to the beginning of this year, mainly due to the decrease in the loans to joint ventures.

As at 30 June 2018, the Group's intangible assets increased by RMB1,087 million, or 117.9%, as compared to the beginning of the year, mainly due to the new purchasing of land use rights.

As at 30 June 2018, the Group's other payables decreased by RMB3,101 million, or 31.4%, as compared to the beginning of this year, mainly due to the decrease in absorbing deposits by Qingdao Finance.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 4. Cash Flow Analysis

For the six months ended 30 June 2018, the Group's net cash outflow amounted to RMB1,962 million, among which:

- (1) net cash inflow from operating activities amounted to RMB1,177 million, mainly derived from the operating profit of the Consolidated Group Companies;
- (2) net cash inflow from investing activities amounted to RMB141 million, mainly comprising of cash inflow of RMB2,236 million arising from recovering the fixed term deposit with an initial term over three months; net cash inflow of RMB1,954 million arising from recovering the loans provided to members; net cash inflow of RMB365 million arising from recovering of foreign exchange trading margin; cash inflow of RMB349 million through the receipt of disposal of long-term assets; cash inflow of RMB298 million through the receipt of interest from loans and fixed term deposit with an initial term over three months; net cash outflow of RMB3,357 million for the investment in wealth management products, and cash outflow of RMB1,667 million for purchasing and construction of fixed assets and etc.; and
- (3) net cash outflow from financing activities amounted to RMB3,294 million, mainly due to cash inflow of RMB324 million from equity investment by the minority shareholders of the Consolidated Group Companies; net cash outflow of RMB3,397 million from deposits-absorbing business of Qingdao Finance, and cash outflow of RMB148 million for paying the debt interests.

In order to facilitate the understanding of shareholders of the Company and investors, after eliminating the impact of Qingdao Finance as well as the Group's purchase of wealth management products and fixed term deposits with an initial term over three months on the cash flow, and net cash inflow of the Group amounted to RMB1,921 million.

## 5. Liquidity and Financial Resources

As at 30 June 2018, the Group's cash at bank and on hand amounted to RMB7,245 million and financial assets including interbank deposits amounted to RMB4,117 million. After eliminating the impact of Qingdao Finance, the self-owned cash at bank and on hand and financial assets of the Group amounted to RMB8,420 million. After eliminating the impact of Qingdao Finance, the Group's total interest-bearing debts amounted to RMB3,711 million, among which, debt at fixed interest rates amounted to RMB3,585 million and debt at floating interest rates amounted to RMB126 million. During the reporting period, the Group continued to enhance its funding and treasury policies to safeguard the Group's ability to continue as a going concern with an optimal capital structure and provide returns for shareholders and benefits for other stakeholders.

As at 30 June 2018, the gearing ratio of the Group was 13%. After eliminating the impact of Qingdao Finance, the amount of the Group's cash at bank and on hand exceeded its interest-bearing debt.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 6. Capital Structure

As at 30 June 2018, the total equity of the Group amounted to RMB27,230 million, representing an increase of RMB2,167 million as compared to the beginning of this year, among which, the equity interest attributable to the shareholders of the Company increased by RMB1,766 million and the equity interest of minority shareholders increased by RMB402 million. The increase of the equity interest attributable to the shareholders of the Company was mainly due to the increase in operating profit.

As at 30 June 2018, the Company had 6,036,724,000 issued shares, of which 1,099,025,000 shares are H shares. The total market capitalization and H share market capitalization of the Company was HKD35,496 million and HKD6,462 million, respectively (calculated based on the closing price of the Company as at 29 June 2018).

## 7. Interest Rate and Exchange Rate Risks

As at 30 June 2018, cash at bank and on hand, receivables, payables and external bank borrowings at floating rates of the Group amounted to RMB2,922 million, RMB2,879 million, RMB4,526 million and RMB126 million, respectively. The Group assessed the interest rate risk and anticipated that interest rate risk would have no material impact on the Group.

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

The Group will continue to closely monitor interest rate and exchange rate risks. The Group did not enter into any hedging arrangements to hedge against exposures to interest rate and exchange rate risks for the six months ended 30 June 2018.

## 8. Financial Indicators

Indicators	For the six months ended 30 June		
	2018	2017	Change (+/-)
Return on total assets	4.3%	3.8%	+0.5 percentage point
Return on net assets	7.8%	8.5%	-0.7 percentage point
Interest coverage ratio	23.85	21.36	+2.49 times
Current ratio	1.66	1.25	+0.41
Quick ratio	1.63	1.22	+0.41

For six months ended 30 June 2018, return rate on total assets of the Group was 4.3%, representing an increase of 0.5 percentage point as compared to the same period in the previous year, mainly due to the decrease in total assets caused by decreased deposits-absorbing by Qingdao Finance and the increase in net profit as compared to the same period in the previous year. The return rate on equity of the Group was 7.8%, representing a decrease of 0.7 percentage point over same period in the previous years, mainly due to no current returns arising from the assets under construction invested by the capital investment absorbed from the new shareholders in the previous year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Summarized Financial Information of Joint Ventures

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

Unit: RMB'000

	QQCT For the six months ended 30 June		Qingdao Shihua For the six months ended 30 June	
	2018	2017	2018	2017
<b>Revenue</b>	<b>1,811,902</b>	1,670,616	<b>936,663</b>	767,636
<b>Cost of sales</b>	<b>(671,142)</b>	(549,124)	<b>(432,945)</b>	(369,322)
Profit before income tax	<b>1,106,802</b>	1,104,823	<b>461,130</b>	370,982
Income tax expenses	<b>(253,122)</b>	(275,500)	<b>(101,889)</b>	(93,615)
<b>Net profit for the period</b>	<b>853,680</b>	829,323	<b>359,241</b>	277,367
Attributable to non-controlling interests	<b>11,223</b>	7,582	—	—
<b>Net profit attributable to the shareholders of joint ventures</b>	<b>842,457</b>	821,741	<b>359,241</b>	277,367
Other distribution		(1,215)	—	—
Shareholding percentage in joint ventures held by the Group	<b>51%</b>	31%/51%	<b>50%</b>	50%
Share of profit by the Group before elimination	<b>429,653</b>	293,888	<b>179,621</b>	138,683
Unrealised profit	<b>(23,815)</b>	—	<b>3,506</b>	(998)
<b>Share of profit by the Group accounted for using the equity method</b>	<b>405,838</b>	293,888	<b>183,127</b>	137,685

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.

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

	Unit: RMB'000	
	30 June 2018	31 December 2017
<b>Consolidated balance sheet</b>		
Cash at bank and on hand	(1,175,107)	5,626,204
Financial assets held for trading	906,520	—
Interests receivable	49,021	30,556
Other receivables	392,003	432,842
Other current assets	3,099,480	339,000
Current portion of non-current assets	127,525	318,840
Available for sale financial assets	—	111,358
Long-term receivables	1,606,747	1,907,429
Other non-current financial assets	111,497	—
Other payables	4,810,261	8,225,623
Interests payable	22,446	29,785
General risk reserve	226,360	226,360

	Unit: RMB'000	
	For the six months ended 30 June 2018	2017
<b>Consolidated income statement</b>		
Finance expenses - interest income	225,632	205,786
Finance expenses - interest expenses	(41,114)	(39,511)

## III. SIGNIFICANT CAPITAL INVESTMENT

For the six months ended 30 June 2018, the Group had significant capital investments of RMB1,580 million, mainly consisting of the purchase for land use rights in Dongjiakou Port Area, the project investments such as Dongjiakou Port- Weifang- Central and Northern Shandong Oil Pipeline Construction Project Phase I and Phase II and the equipment investments. As at 30 June 2018, Dongjiakou Port-Weifang-Central and Northern Shandong Oil Pipeline Construction Project Phase II has not been put into operation.

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

During the six months ended 30 June 2018, the Group did not have any significant acquisition and disposal of subsidiaries, joint ventures and associates.



# MANAGEMENT DISCUSSION AND ANALYSIS

## V. MORTGAGE AND PLEDGE OF ASSETS

As at 30 June 2018, none of the Group's assets was mortgaged or pledged.

## VI. CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any significant contingent liabilities.

## VII. EMPLOYEES

As at 30 June 2018, the Company had 5,354 employees while its subsidiaries and principal joint ventures had 5,414 employees. The Group implements a “two match” principle to match the growth of employees' income with the growth of the Company's results and match the increase in labor remuneration with the increase in production rate. The Company links the remunerations of employees with the results of the Company, and the employees' remunerations or its units are adjusted annually in accordance with working performance of the employees, human resources market condition and the economic environment. We implement a basic salary and a performance-based salary system for our senior management of the Company. In addition, to actively establish a learning enterprise and cultivate employees with active learning, the Company offers internal trainings on safety and security, business operations and technical skills to the employees for their improvement of skills related to their positions. Please refer to note 17(18) in Notes to the Financial Statements for details in relation to remuneration of employees of the Company.

## VIII. DESCRIPTION OF OTHER MATTERS

Dagang Port Area is planned to be transformed and upgraded into an international home port for cruise liners, therefore, the operations at Dagang Port Area will gradually be relocated to Dongjiakou Port Area and Qianwan Port Area. As at 30 June 2018, the construction of international home port for cruise liners has no effect on the operation of Dagang Port Area.

The government of Qingdao Economic and Technological Development Zone is in the process of adopting a new urban planning scheme that may relocate the port operations in Huangdao Oil Port Area and operations of certain clients around Huangdao Oil Port Area to Dongjiakou Port Area. As at 30 June 2018, the Group did not receive any relocation plan or related notice, and not obtain any information that surrounding clients and businesses were relocated to Dongjiakou Port Area, hence the operation of Huangdao Oil Port Area has not been affected.

## IX. SUBSEQUENT EVENTS

After 30 June 2018, the Group had no material subsequent events.

# MANAGEMENT DISCUSSION AND ANALYSIS

## X. OUTLOOK FOR THE SECOND HALF OF 2018

In the second half of 2018, China's economy will accelerate its pace of shifting to high-quality development. The government will support the construction of the China-SCO Local Economic and Trade Cooperation Pilot Area in Qingdao. Meanwhile, the international trade situation will turn complicated and ever-changing, with more uncertainty in both internal and external environment. In light of this, the Company will, centering on economic benefits, actively seize the opportunity to explore and innovate, consolidate its principal stevedoring business, upgrade the modern logistics, deepen the integration of industry and finance, promote the integration of internet and business, and speed up its diversified development, with a view to building world-class sea ports. As such, the Group will put emphasis on the following aspects:

### 1. To enhance our competitive strengths in our principal stevedoring business

The Group will conduct in-depth market research and innovate in business models to consolidate our principal stevedoring business. In respect of the container business, the Group will strengthen the headquarter marketing for shipping companies, expand the routes network, focus on developing the transit shipment business, to reinforce the position of hub ports. As for the dry bulk cargo, the Group will strengthen accurate marketing, expand and enhance ore mixing and other value-added business, and speed up the construction of the distribution center for iron ore in Northeast Asia. Given the expected commencement of operation of the port railway in Dongjiakou Port Area at the end of the year, the Group will formulate plans for mining new markets and customers in advance. The Group will push forward the achievements of new breakthroughs in major cargos including grain, non-ferrous mines, paper pulp, complete vehicles and timber. In respect of the liquid bulk business, the Group will coordinate the resources of terminals in Dongjiakou Port Area terminal with the Dongjiakou Port-Weifang-Central and Northern Shandong Oil Pipeline, improve the operating efficiency, accelerate the deployment of transit shipment network and optimize the comprehensive services of the whole-process logistics, thereby expanding Shandong refineries' market share.

### 2. To expand the industrial system and scale of modern logistics

The Group will innovate in development idea and strengthen the resource and function allocation to expand the scale of the whole-process logistics. In particular, the Group will speed up the construction of Guangping, Lanzhou and other inland ports and increase our sea-rail intermodal transport routes with an aim to realize a container volume of over 1 million TEUs under sea-rail intermodal transportation during the whole year. The Group will vigorously develop shipping agency, freight forwarding, CFS, warehouse and other businesses, and increase the number of cluster cargos in futures deliver warehouses, to achieve the expansion of both industrial system and business scale for the modern logistics business.

### 3. To increase the quality and efficiency of financial and treasury management

The Group will strengthen the fine management of the funds and improve its liquidity, promote the expansion of foreign currency services, and enrich the functions and products of bills. The Group will also improve the ability of providing diversified financing services, coordinate internal and external financing, establish a green channel for internal financing and innovate in diversified financing channels. The Group will steadily develop investment business, innovate in investment products and optimize investment strategies. The Group will also expand the operational functions of the treasury platform, innovate in financial services and expand operational qualifications.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 4. To deepen the integration of internet and port business

The Group will deepen the implementation of internet strategy, promote the intelligent terminal operations, e-commerce of logistics services and synergetic office management, so as to speed up the construction of intelligent ports. Continuously maintaining the leading advantages in the technology, efficiency, effectiveness and management of the phase I of the automatic container terminal project, the Group will accelerate the construction of the phase II of automatic container terminal project, research and promote the automatic transformation of the traditional container and dry bulk cargo terminals.

## 5. To expand the space for internationalized development

The Group will deeply implement internationalization strategy, integrate into the construction of “One Belt and One Road” and quicken the pace of “Going Global”. The Group will achieve the successful management and operation of the major overseas projects such as crude oil terminal in Myanmar Mude Island and the container terminal of the Vado Ligure Port in Italy. The Group will also negotiate for the promotion of container terminal project of the phase II of Port Khalifa in Abu Dhabi, the United Arab Emirates. Through the cooperation with strategic partners, the Group will explore and develop high-quality overseas projects and create the operation and management platform for overseas ports, with an aim for stepping up to develop into an international terminal operator.

## 6. To comprehensively promote the development

The Group will innovate in project management, accelerate the construction of key projects including the commencement of operation of the Phase II Dongjiakou Port-Weifang-Central and Northern Shandong oil pipeline construction project and the construction the Phase III of the project. The Group will accelerate and promote the preliminary works for the projects of the second 300,000-ton crude oil terminal of Dongjiakou Port Area and the 5,200,000-cubic metre crude oil commercial depots to strive for the early commencement.

## 7. To comprehensively enhance the corporate governance

The Group will accelerate the listing of A shares and continue to improve the modern corporate governance system and governance structure so as to meet the regulatory requirements under “A+H” shares. In order to maintain the high-quality operation and development, the Group will strengthen risk management, promote the interaction of business department and financial department and strictly control the risks such as external operation risks, accounts receivable risks and compliance risks. The Group will enhance human resource management by conducting education and trainings for all staff, research on the expansion of the career development channels of employees and improve the interaction mechanism of salary and efficiency in order to stimulate the vitality of human resources. Adhering to ecology-prioritized and green development, the Group will continue to carry out environmental remediation and refine the implementation of environmental protection measures to build a safe and green port.

# OTHER INFORMATION

## I. CORPORATE GOVERNANCE PRACTICES

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

The Company has complied with all code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules for the six months ended 30 June 2018.

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

The Company has adopted the Model Code of Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by Directors and Supervisors. Specific enquiry has been made to all the Directors and supervisors of the Company and each of the Directors and Supervisors has confirmed that he/she has complied with the Model Code throughout the six months ended 30 June 2018.

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

Save as otherwise disclosed in this report, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any Directors or Supervisors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors and Supervisors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate for the period ended 30 June 2018.

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

Mr. CHENG Xinnong, a non-executive Director, has passed away due to illness and ceased to be a Director, the vice chairman, a member of the Strategy and Development Committee and the Remuneration Committee of the Board of the Company with effect from 19 April 2018. For further details, please refer to the announcement of the Company dated 20 April 2018.

Mr. JIAO Guangjun was elected and appointed as the vice chairman of the Board of the second session and a member of the Remuneration Committee. For further details, please refer to the announcement of the Company dated 26 April 2018.

The Company has appointed Mr. ZHANG Jiangnan as a non-executive director of the Company at the annual general meeting of the Company held on 6 June 2018. For further details, please refer to the announcement of the Company dated 6 June 2018.

Mr. FU Xinmin and Mr. CHI Dianmou, two non-employee representative Supervisors, have both reached their statutory retirement ages and retired as non-employee representative Supervisors with effect from 6 June 2018. In the meantime, Mr. FU Xinmin has retired as the chairman of the Supervisory Committee. The Company has appointed Mr. ZHANG Qingcai and Mr. LI Wucheng as non-employee representative Supervisors at the annual general meeting of the Company held on 6 June 2018, among which, Mr. ZHANG Qingcai serves as the chairman of the Supervisory Committee of the Company with effect from 6 June 2018. For further details, please refer to the announcement of the Company dated 6 June 2018.

Save as disclosed herein, there had been no changes to the Directors', supervisors' and chief executive's information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the period from 1 January 2018 to 30 June 2018.



### V. REVIEW OF FINANCIAL STATEMENTS BY THE AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim results and interim report of the Company for the six months ended 30 June 2018.

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

No purchase, sale and redemption of any listed securities of the Company were made by the Company or any of its subsidiaries for the six months ended 30 June 2018.

### VII. USE OF NET PROCEEDS

The net proceeds from the Global Offering were approximately RMB2,198 million. Considering the actual business development and operation of the Group, the Company has changed the investment projects which the remaining net proceeds were originally proposed to fund. Please refer to the announcement of the Company dated 28 December 2016 for detailed information. As at 31 December 2017, RMB49 million was brought forward to this year, which is proposed to be used towards the construction of the oil tanks in the Dongjiakou Port Area. During the six months ended 30 June 2018, the Company did not use the aforesaid remaining proceeds. The Company will utilize the remaining proceeds in accordance with the investment progress of the projects and the business development. As at the date of this report, there is no detailed schedule for the utilization of the remaining proceeds.

The net proceeds from the New H Shares Placing of the Company were approximately RMB912 million, which will be used in the way as disclosed in the announcement of the Company dated 20 January 2017. As at 30 June 2018, no proceeds had been utilized towards the investment projects. The Company is conducting due diligence and undergoing negotiation with respect to the proposed investment projects. As at the date of this report, there is no detailed schedule for the utilization of such proceeds.

The net proceeds from the Company's issuance of Domestic Shares to Shanghai China Shipping Terminal Development Co., Ltd. were approximately RMB2,600 million, among which, RMB1,201 million was brought forward to this year on 31 December 2017, which is proposed to be used towards the construction of the port facilities in the Dongjiakou Port Area, the optimization of the modern logistics business structure of the Company, the domestic terminals investment and acquisition and the consolidation of the relevant port assets in the Port of Qingdao, and the information facility construction of the Company in accordance with the ways as disclosed in the announcement of the Company dated 20 January 2017. For the six months ended 30 June 2018, RMB518 million had been utilized towards the investment projects in the way as disclosed in the announcement of the Company dated 20 January 2017, which was mainly used for the construction of the port facilities in the Dongjiakou Port Area and the information facility construction of the Company. The Company will utilize the remaining proceeds in accordance with the investment progress of the projects and the business development. As at the date of this report, there is no detailed schedule for the utilization of the remaining proceeds.

### VIII. DIVIDENDS

The Board did not recommend the payment of any dividend for the six months ended 30 June 2018.

## OTHER INFORMATION

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

So far as the directors are aware, as at 30 June 2018, none of the Directors, supervisors or chief executive of the Company has any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), (i) which will be required, pursuant to Section 352 of the SFO, to be recorded in the register kept by the Company, or (ii) which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2018, so far as the directors are aware, the following persons (other than the Directors, supervisors and chief executive of the Company) will be taken or deemed to have interests and/or short positions in the shares or underlying shares of the Company which would be required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Name	Class of Shares	Capacity/Nature of interest	Number of shares held <sup>(1)</sup>	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 <sup>(2)</sup>	3,522,179,000 (L)	58.35%	71.33%	—
COSCO SHIPPING Ports Limited	Domestic shares	Interest in a controlled corporation <sup>(3)</sup>	1,111,520,000 (L)	18.41%	22.51%	—
China COSCO (Hong Kong) Limited	Domestic shares	Interest in a controlled corporation <sup>(3)</sup>	1,111,520,000 (L)	18.41%	22.51%	—
COSCO SHIPPING Holdings Co., Ltd.	Domestic shares	Interest in a controlled corporation <sup>(3)</sup>	1,111,520,000 (L)	18.41%	22.51%	—
China Ocean Shipping (Group) Company	Domestic shares	Interest in a controlled corporation <sup>(4)</sup>	1,207,520,000 (L)	20.00%	24.46%	—
China COSCO Shipping Corporation Limited	Domestic shares	Interest in a controlled corporation <sup>(4)</sup>	1,207,520,000 (L)	20.00%	24.46%	—
Value Partners Group Limited	H shares	Interest in a controlled corporation <sup>(5)</sup>	110,140,000 (L)	1.82%	—	10.02%
Value Partners High-Dividend Stocks Fund	H shares	Beneficial owner	99,033,000 (L)	1.64%	—	9.01%
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	87,772,000 (L)	1.45%	—	7.99%
FMR LLC	H shares	Interest in a controlled corporation	66,037,983 (L)	1.09%	—	6.01%

## Notes:

- (1) The letter “L” denotes long position in such securities.
- (2) QDP is wholly owned by the State-owned Assets Supervision and Administration Commission of Qingdao Municipality. The Company was informed that as at 30 June 2018, QDP held 6,037,000 H shares of the Company via its wholly-owned subsidiary Qingdao Port Financial Holdings Limited, 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 Qingdao Port Financial Holdings Limited, the wholly-owned subsidiary of 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; and Value Partners Hong Kong Limited is wholly owned by Value Partners Group Limited.

Save as disclosed above, as at 30 June 2018, none of the persons had interest or short positions in the shares and underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which will be required, pursuant to Section 336 of the SFO, to be recorded in the register kept by the Company.

# CONSOLIDATED BALANCE SHEET

As at 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note 6	30 June 2018 (Unaudited)	31 December 2017	1 January 2017
<b>Current assets</b>				
Cash at bank and on hand	(1)	7,244,730,236	11,705,176,363	8,100,294,431
Financial asset held for trading	(2)	906,520,006	—	—
Notes receivable and accounts receivable	(3)	2,154,418,081	2,465,175,867	1,973,030,863
Advances to suppliers	(5)	129,414,198	79,591,581	59,043,938
Other receivables	(4)	1,150,869,136	1,064,094,089	988,940,673
Inventories	(6)	110,129,891	525,393,278	482,195,054
Contract assets	(7)	199,363,614	—	—
Current portion of non-current assets	(9), (16)	568,269,392	330,646,872	313,729,688
Other current assets	(8)	4,239,295,739	1,036,159,101	1,197,414,942
<b>Total current assets</b>		<b>16,703,010,293</b>	<b>17,206,237,151</b>	<b>13,114,649,589</b>
<b>Non-current assets</b>				
Available-for-sale financial assets		—	183,565,665	92,207,877
Long term receivables	(9)	2,255,297,520	4,395,674,475	3,484,533,992
Long-term equity investments	(10)	9,122,810,173	8,538,241,729	5,139,039,800
Other non-current financial assets	(11)	183,705,265	—	—
Investment properties	(12)	191,282,150	193,296,445	117,843,468
Fixed assets	(13)	12,986,947,026	13,034,655,703	11,684,982,980
Construction in progress	(14)	2,459,136,282	2,163,986,568	2,338,968,773
Intangible assets	(15)	2,008,935,590	922,024,156	931,416,765
Goodwill		25,373,323	20,686,493	18,836,008
Long-term prepaid expenses		23,834,730	24,247,437	14,874,061
Deferred tax assets	(18)	896,529,543	896,767,023	872,096,260
Other non-current assets	(16)	344,837,559	474,269,567	473,124,633
<b>Total non-current assets</b>		<b>30,498,689,161</b>	<b>30,847,415,261</b>	<b>25,167,924,617</b>
<b>TOTAL ASSETS</b>		<b>47,201,699,454</b>	<b>48,053,652,412</b>	<b>38,282,574,206</b>

# CONSOLIDATED BALANCE SHEET

As at 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note 6	30 June 2018 (Unaudited)	31 December 2017	1 January 2017
<b>Current liabilities</b>				
Short-term borrowings		58,300,150	56,685,445	262,947,290
Notes payable and accounts payable	(19)	2,278,387,172	2,399,789,522	1,943,456,195
Advances from customers		279,951,682	338,116,515	334,125,905
Contract liabilities	(20)	145,695,012	—	—
Employee benefits payable	(21)	200,432,256	224,390,581	227,056,983
Taxes payable	(22)	236,399,859	206,127,308	153,220,569
Other payables	(23)	6,776,113,130	9,877,014,466	9,994,985,202
Current portion of non-current liabilities		87,918,220	38,185,563	24,137,717
<b>Total current liabilities</b>		<b>10,063,197,481</b>	<b>13,140,309,400</b>	<b>12,939,929,861</b>
<b>Non-current liabilities</b>				
Long-term borrowings	(24)	176,172,988	188,172,988	137,390,687
Bonds payable	(25)	3,500,000,000	3,500,000,000	3,500,000,000
Long-term payables	(26)	613,141,280	581,670,617	58,101,909
Provisions		1,789,287	2,024,113	2,283,097
Deferred income	(27)	137,042,250	139,299,471	145,259,921
Long-term employee benefits payable	(28)	2,498,570,000	2,357,290,000	2,731,450,000
Other non-current liabilities	(29)	2,981,654,095	3,082,229,433	3,285,600,108
<b>Total non-current liabilities</b>		<b>9,908,369,900</b>	<b>9,850,686,622</b>	<b>9,860,085,722</b>
<b>Total liabilities</b>		<b>19,971,567,381</b>	<b>22,990,996,022</b>	<b>22,800,015,583</b>



# CONSOLIDATED BALANCE SHEET

As at 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	Note 6	<b>30 June 2018 (Unaudited)</b>	31 December 2017	1 January 2017
<b>Shareholders' equity</b>				
Share capital		<b>6,036,724,000</b>	6,036,724,000	4,778,204,000
Capital surplus	(30)	<b>10,779,695,287</b>	10,770,800,519	5,321,635,366
Other comprehensive income	(31)	<b>144,396,983</b>	283,865,500	(63,024,800)
Specific reserve		<b>17,065,362</b>	11,946,732	2,991,631
Surplus reserve	(32)	<b>673,990,310</b>	673,990,310	429,859,457
General risk reserve	(33)	<b>226,359,871</b>	226,359,871	134,121,910
Undistributed profits	(34)	<b>7,441,959,326</b>	5,550,975,839	3,631,936,223
<b>Total equity attributable to shareholders of the Company</b>		<b>25,320,191,139</b>	23,554,662,771	14,235,723,787
<b>Non-controlling interests</b>		<b>1,909,940,934</b>	1,507,993,619	1,246,834,836
<b>Total Shareholders' equity</b>		<b>27,230,132,073</b>	25,062,656,390	15,482,558,623
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>47,201,699,454</b>	48,053,652,412	38,282,574,206

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

# COMPANY BALANCE SHEET

As at 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note 17	30 June 2018 (Unaudited)	31 December 2017	1 January 2017
<b>Current assets</b>				
Cash at bank and on hand	(1)	6,005,037,141	4,699,877,447	2,253,873,559
Notes receivable and accounts receivable	(2)	855,849,544	1,164,340,211	1,070,450,546
Advances to suppliers		24,190,634	8,479,077	6,375,257
Other receivables	(3)	480,908,487	473,601,202	887,518,924
Inventories	(4)	35,194,023	165,598,525	370,639,286
Contract assets	(5)	106,636,941	—	—
Current portion of non-current assets	(7), (13)	600,744,150	11,806,865	11,613,049
Other current assets	(6)	439,361,691	321,590,281	51,518,077
<b>Total current assets</b>		<b>8,547,922,611</b>	<b>6,845,293,608</b>	<b>4,651,988,698</b>
<b>Non-current assets</b>				
Available-for-sale financial assets		—	71,421,487	71,421,487
Long term receivables	(7)	3,096,830,000	4,280,125,000	2,995,000,000
Long-term equity investments	(8)	13,374,946,921	12,768,800,585	9,210,761,362
Other non-current financial assets		71,421,487	—	—
Investment properties	(9)	661,117,558	671,499,479	573,468,864
Fixed assets	(10)	8,163,151,714	8,244,155,732	8,757,681,495
Construction in progress	(11)	1,160,522,902	1,074,161,974	1,038,519,224
Intangible assets	(12)	2,941,577,737	2,205,498,287	2,313,610,734
Long-term prepaid expenses		9,366,961	9,188,607	7,764,816
Deferred tax assets	(15)	56,633,901	67,060,993	64,089,545
Other non-current assets	(13)	170,652,209	239,931,669	216,444,105
<b>Total non-current assets</b>		<b>29,706,221,390</b>	<b>29,631,843,813</b>	<b>25,248,761,632</b>
<b>TOTAL ASSETS</b>		<b>38,254,144,001</b>	<b>36,477,137,421</b>	<b>29,900,750,330</b>

# COMPANY BALANCE SHEET

As at 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	Note 17 (Unless otherwise stated)	<b>30 June 2018 (Unaudited)</b>	31 December 2017	1 January 2017
<b>Current liabilities</b>				
Short-term borrowings	(16)	102,000,000	315,000,000	408,760,938
Notes payable and accounts payable	(17)	786,172,352	787,549,071	1,060,491,518
Advances from customers		251,563,564	251,930,898	259,356,101
Contract liabilities		38,837,921	—	—
Employee benefits payable	(18)	168,330,795	183,862,520	197,049,152
Taxes payable	(19)	51,995,969	80,425,639	28,061,465
Other payables	(20)	605,992,769	512,451,143	1,792,045,464
Current portion of non-current liabilities		25,667,935	1,500,480	—
<b>Total current liabilities</b>		<b>2,030,561,305</b>	<b>2,132,719,751</b>	<b>3,745,764,638</b>
<b>Non-current liabilities</b>				
Bonds payable		3,500,000,000	3,500,000,000	3,500,000,000
Long-term payables		142,838,674	112,611,705	52,016,078
Provisions		1,789,287	2,024,113	2,283,097
Deferred income		133,318,699	135,275,920	139,190,364
Long-term employee benefits payable	(21)	2,285,020,000	2,155,560,000	2,524,620,000
Other non-current liabilities		2,981,654,095	3,082,229,433	3,285,600,108
<b>Total non-current liabilities</b>		<b>9,044,620,755</b>	<b>8,987,701,171</b>	<b>9,503,709,647</b>
<b>Total liabilities</b>		<b>11,075,182,060</b>	<b>11,120,420,922</b>	<b>13,249,474,285</b>
<b>Shareholders' equity</b>				
Share capital		6,036,724,000	6,036,724,000	4,778,204,000
Capital surplus	(22)	14,708,492,962	14,699,598,194	9,250,433,041
Other comprehensive income	(30)	136,950,000	270,820,000	(65,200,000)
Specific reserve		11,371,512	7,977,788	—
Surplus reserve	6(32)	673,990,310	673,990,310	429,859,457
Undistributed profits	(23)	5,611,433,157	3,667,606,207	2,257,979,547
<b>Total shareholders' equity</b>		<b>27,178,961,941</b>	<b>25,356,716,499</b>	<b>16,651,276,045</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>38,254,144,001</b>	<b>36,477,137,421</b>	<b>29,900,750,330</b>

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

# CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 6	For the six months ended 30 June 2018 (Unaudited)	For the six months ended 30 June 2017 (Unaudited)
<b>1. Revenue</b>	(35)	<b>5,738,868,397</b>	4,785,027,307
Less: Cost of sales	(35), (38)	<b>(3,770,729,947)</b>	(3,079,234,373)
Taxes and surcharges	(36)	<b>(59,979,125)</b>	(53,732,698)
Selling and distribution expenses	(38)	<b>(7,589,870)</b>	(7,822,408)
General and administrative expenses	(38)	<b>(212,665,088)</b>	(213,163,917)
Financial expenses	(37)	<b>147,761,055</b>	75,971,001
Including: Interest expenses		<b>(109,389,222)</b>	(99,778,723)
Interest income		<b>294,601,920</b>	243,273,042
Asset impairment losses		—	(6,662,216)
Credit impairment losses	(39)	<b>23,681,751</b>	—
Add: Other income		<b>15,444,222</b>	16,899,580
Investment income	(40)	<b>687,377,868</b>	529,772,239
Including: Investment income from associates and joint ventures		<b>661,265,215</b>	511,045,352
Gains on changes in fair value		<b>1,659,606</b>	—
Gains on disposal of assets		<b>28,646,478</b>	535,605
<b>2. Operating profit</b>		<b>2,592,475,347</b>	2,047,590,120
Add: Non-operating income		<b>9,691,014</b>	17,872,276
Less: Non-operating expenses		<b>(19,628,923)</b>	(2,436,138)
<b>3. Total profit</b>		<b>2,582,537,438</b>	2,063,026,258
Less: Income tax expenses	(41)	<b>(522,653,882)</b>	(410,394,685)
<b>4. Net profit</b>		<b>2,059,883,556</b>	1,652,631,573
Classified by continuity of operations			
Net profit from continuing operations		<b>2,059,883,556</b>	1,652,631,573
Net profit from discontinued operations		—	—
Classified by ownership of the equity			
Attributable to non-controlling interests		<b>151,960,747</b>	102,166,400
Attributable to shareholders of the Company		<b>1,907,922,809</b>	1,550,465,173

# CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 6	For the six months ended 30 June 2018 (Unaudited)	For the six months ended 30 June 2017 (Unaudited)
<b>5. Other comprehensive income, net of tax</b>	(31)	<b>(137,276,983)</b>	183,120,000
Attributable to shareholders of the Company, net of tax			
Other comprehensive income items which will not be subsequently reclassified to profit or loss			
Changes in remeasurement of defined benefit plan obligations		<b>(145,434,629)</b>	182,781,300
Other comprehensive income items which will be subsequently reclassified to profit or loss			
Changes in fair value of other debt investments		<b>5,966,112</b>	—
Attributable to minority shareholders, net of tax		<b>2,191,534</b>	338,700
<b>6. Total comprehensive income</b>		<b>1,922,606,573</b>	<b>1,835,751,573</b>
Attributable to shareholders of the Company		<b>1,768,454,292</b>	1,733,246,473
Attributable to non-controlling interests		<b>154,152,281</b>	102,505,100
<b>7. Earnings per share</b>			
Basic earnings per share	(42)(a)	<b>0.32</b>	0.31
Diluted earnings per share	(42)(b)	<b>0.32</b>	0.31

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

Legal representative:

Principal in charge of accounting :

Head of accounting department:



# COMPANY INCOME STATEMENT

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 17	For the six months ended 30 June 2018 (Unaudited)	For the six months ended 30 June 2017 (Unaudited)
<b>1. Revenue</b>	(24)	<b>2,820,179,749</b>	2,688,699,716
Less: Cost of sales	(24), (26)	<b>(1,993,476,752)</b>	(1,928,065,207)
Taxes and surcharges		<b>(40,782,292)</b>	(43,505,263)
Selling and distribution expenses	(26)	<b>(7,589,870)</b>	(7,763,568)
General and administrative expenses	(26)	<b>(127,518,808)</b>	(143,620,275)
Financial expenses	(25)	<b>68,177,161</b>	(42,250,647)
Including: Interest expenses		<b>(58,362,091)</b>	(66,390,112)
Interest income		<b>161,805,619</b>	84,992,924
Asset impairment losses		—	(55,944)
Credit impairment losses	(27)	<b>44,931,693</b>	—
Add: Other income		<b>1,957,221</b>	4,008,293
Investment income	(28)	<b>1,391,687,466</b>	1,034,311,140
Including: Investment income from associates and joint ventures		<b>661,471,860</b>	502,558,998
Gains on disposal of assets		<b>2,914,688</b>	—
<b>2. Operating profit</b>		<b>2,160,480,256</b>	1,561,758,245
Add: Non-operating income		<b>8,973,639</b>	11,174,862
Less: Non-operating expenses		<b>(19,505,600)</b>	(432,500)
<b>3. Total profit</b>		<b>2,149,948,295</b>	1,572,500,607
Less: Income tax expenses	(29)	<b>(200,983,929)</b>	(153,914,748)
<b>4. Net profit</b>		<b>1,948,964,366</b>	1,418,585,859
Classified by continuity of operations			
Net profit from continuing operations		<b>1,948,964,366</b>	1,418,585,859
Net profit from discontinued operations		—	—
<b>5. Other comprehensive income, net of tax</b>	(30)	<b>(133,870,000)</b>	169,560,000
Other comprehensive income items that will not be subsequently reclassified to profit or loss			
Changes in remeasurement of defined benefit plan obligations		<b>(133,870,000)</b>	169,560,000
<b>6. Total comprehensive income</b>		<b>1,815,094,366</b>	1,588,145,859

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

# CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 6	For the six months ended 30 June 2018 (Unaudited)	For the six months ended 30 June 2017 (Unaudited)
<b>1. Cash flows from operating activities</b>			
Cash received from sales of goods or rendering of services		5,329,692,513	3,819,061,152
Cash received relating to other operating activities	(43)(g)	320,260,649	175,936,298
Sub-total of cash inflows		5,649,953,162	3,994,997,450
Cash paid for goods and services		(2,728,258,004)	(1,527,058,747)
Cash paid to and on behalf of employees		(960,368,036)	(968,923,002)
Payments of taxes and levies		(709,378,312)	(529,950,764)
Cash paid relating to other operating activities	(43)(h)	(74,693,765)	(150,430,488)
Sub-total of cash outflows		(4,472,698,117)	(3,176,363,001)
Net cash flows from operating activities	(43)(a)	1,177,255,045	818,634,449
<b>2. Cash flows from investing activities</b>			
Cash received from disposal of investments		7,517,480,330	3,857,184,067
Cash received from returns on investments		389,275,660	737,412,098
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		348,991,771	9,268,935
Cash received relating to other investing activities	(43)(i)	4,972,848,751	370,231,261
Sub-total of cash inflows		13,228,596,512	4,974,096,361
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(1,667,436,756)	(1,171,959,453)
Cash paid to acquire investments		(8,297,041,318)	(2,212,942,436)
Cash paid to acquire subsidiaries		(23,035,440)	—
Cash paid relating to other investing activities	(43)(j)	(3,099,991,324)	(780,865,278)
Sub-total of cash outflows		(13,087,504,838)	(4,165,767,167)
Net cash flows from investing activities		141,091,674	808,329,194

# CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 6	For the six months ended 30 June 2018 (Unaudited)	For the six months ended 30 June 2017 (Unaudited)
<b>3. Cash flows from financing activities</b>			
Cash received from capital contributions		323,640,000	3,628,021,848
Including: Cash received from capital contributions by minority shareholders of subsidiaries		323,640,000	102,900,000
Cash received from borrowings		533,094,924	435,566,220
Cash received relating to other financing activities	(43)(k)	—	844,083,202
Sub-total of cash inflows		856,734,924	4,907,671,270
Cash repayments of borrowings		(542,480,219)	(94,481,498)
Cash payments for interest expenses and distribution of dividends or profits		(183,763,478)	(173,553,988)
Including: Cash payments for distribution of profit to minority shareholders of subsidiaries		(35,408,649)	(39,625,580)
Cash paid relating to other financing activities	(43)(l)	(3,424,973,370)	(430,587,419)
Sub-total of cash outflows		(4,151,217,067)	(698,622,905)
Net cash flows from financing activities		(3,294,482,143)	4,209,048,365
<b>4. Effect of foreign exchange rate changes on cash</b>		14,427,838	(16,377,583)
<b>5. Net increase in cash</b>	(43)(e)	(1,961,707,586)	5,819,634,425
Add: Cash at the beginning of the period		6,362,939,502	2,747,487,988
<b>6. Cash at the end of the period</b>	(43)(f)	4,401,231,916	8,567,122,413

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

# COMPANY CASH FLOW STATEMENT

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 17	For the six months ended 30 June 2018 (Unaudited)	For the six months ended 30 June 2017 (Unaudited)
<b>1. Cash flows from operating activities</b>			
Cash received from sales of goods or rendering of services		1,994,430,290	1,598,420,909
Cash received relating to other operating activities	(31)(g)	231,349,215	127,059,805
<b>Sub-total of cash inflows</b>		<b>2,225,779,505</b>	<b>1,725,480,714</b>
Cash paid for goods and services		(615,585,900)	(602,319,010)
Cash paid to and on behalf of employees		(663,196,461)	(685,160,507)
Payments of taxes and levies		(331,220,705)	(249,859,785)
Cash paid relating to other operating activities	(31)(h)	(20,965,757)	(41,232,452)
<b>Sub-total of cash outflows</b>		<b>(1,630,968,823)</b>	<b>(1,578,571,754)</b>
<b>Net cash flows from operating activities</b>	(31)(a)	<b>594,810,682</b>	<b>146,908,960</b>
<b>2. Cash flows from investing activities</b>			
Cash received from disposal of investments		2,286,242,923	37,000,000
Cash received from returns on investments		687,733,619	905,726,082
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		229,117,198	54,018,898
Cash received relating to other investing activities	(31)(i)	2,637,308,911	60,000,000
<b>Sub-total of cash inflows</b>		<b>5,840,402,651</b>	<b>1,056,744,980</b>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(872,444,810)	(136,375,944)
Cash paid to acquire investments		(4,288,221,491)	(454,609,807)
Cash paid relating to other investing activities	(31)(j)	(1,922,100,000)	(454,954,028)
<b>Sub-total of cash outflows</b>		<b>(7,082,766,301)</b>	<b>(1,045,939,779)</b>
<b>Net cash flows from investing activities</b>		<b>(1,242,363,650)</b>	<b>10,805,201</b>

# COMPANY CASH FLOW STATEMENT

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 17	For the six months ended 30 June 2018 (Unaudited)	For the six months ended 30 June 2017 (Unaudited)
<b>3. Cash flows from financing activities</b>			
Cash received from capital contributions		—	3,525,121,848
Cash received from borrowings		<b>52,000,000</b>	481,464,794
Sub-total of cash inflows		<b>52,000,000</b>	4,006,586,642
Cash repayments of borrowings		<b>(265,000,000)</b>	(238,067,419)
Cash payments for interest expenses and distribution of dividends or profits		<b>(108,606,759)</b>	(119,285,283)
Cash paid relating to other financing activities	(31)(k)	<b>(3,450,546)</b>	(430,587,419)
Sub-total of cash outflows		<b>(377,057,305)</b>	(787,940,121)
Net cash flows from financing activities		<b>(325,057,305)</b>	3,218,646,521
<b>4. Effect of foreign exchange rate changes on cash</b>		<b>11,484,708</b>	(15,644,444)
<b>5. Net increase in cash</b>	(31)(e)	<b>(961,125,565)</b>	3,360,716,238
Add: Cash at the beginning of the period		<b>4,285,781,741</b>	2,183,155,558
<b>6. Cash at the end of the period</b>	(31)(f)	<b>3,324,656,176</b>	5,543,871,796

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:



# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 6	Attributable to shareholders of the Company							Non-controlling interests	Total shareholders' equity
		Share capital	Capital surplus	Other comprehensive income	Surplus reserve	General risk reserve	Undistributed profits	Specific reserve		
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
Movements for the six months ended 30 June 2017 (Unaudited)										
Total comprehensive income										
Net profit		—	—	—	—	—	1,550,465,173	—	102,166,400	1,652,631,573
Other comprehensive income	(31)	—	—	182,781,300	—	—	—	—	338,700	183,120,000
Total comprehensive income for the period		—	—	182,781,300	—	—	1,550,465,173	—	102,505,100	1,835,751,573
Capital contribution and withdrawal by shareholders										
Additional issuance of domestic shares and foreign shares	(30)	1,258,520,000	5,452,243,208	—	—	—	—	—	—	6,710,763,208
Capital contribution by minority shareholders in subsidiaries		—	—	—	—	—	—	—	102,900,000	102,900,000
Profit distribution										
Profit distribution to shareholders	(34)	—	—	—	—	—	(787,551,013)	—	(39,625,580)	(827,176,593)
Specific reserve										
Appropriation to safety fund		—	—	—	—	—	—	20,459,335	1,183,896	21,643,231
Utilisation of safety fund		—	—	—	—	—	—	(15,746,804)	(980,716)	(16,727,520)
Recognition of other changes in equity of associates and joint ventures	(30)	—	5,409,108	—	—	—	—	—	—	5,409,108
Balance at 30 June 2017 (Unaudited)		6,036,724,000	10,779,287,682	119,756,500	429,859,457	134,121,910	4,394,850,383	7,704,162	1,412,817,536	23,315,121,630

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 6	Attributable to shareholders of the Company							Non-controlling interests	Total shareholders' equity
		Share capital	Capital surplus	Other comprehensive income	Surplus reserve	General risk reserve	Undistributed profits	Specific reserve		
Balance at 1 January 2018		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
Impacts from changes in accounting policies (Unaudited) (Note 4(31))		—	—	—	—	—	(16,939,322)	—	—	(16,939,322)
Balance at 1 January 2018 (Unaudited)		6,036,724,000	10,770,800,519	283,865,500	673,990,310	226,359,871	5,534,036,517	11,946,732	1,507,993,619	25,045,717,068
Movements for the six months ended 30 June 2018 (Unaudited)										
Total comprehensive income										
Net profit		—	—	—	—	—	1,907,922,809	—	151,960,747	2,059,883,556
Other comprehensive income	(31)	—	—	(139,468,517)	—	—	—	—	2,191,534	(137,276,983)
Total comprehensive income for the period		—	—	(139,468,517)	—	—	1,907,922,809	—	154,152,281	1,922,606,573
Capital contribution and withdrawal by shareholders										
Capital contribution by minority shareholders in subsidiaries		—	—	—	—	—	—	—	323,640,000	323,640,000
Profit distribution										
Profit distribution to shareholders	(34)	—	—	—	—	—	—	—	(76,996,563)	(76,996,563)
Specific reserve										
Appropriation to safety fund		—	—	—	—	—	—	18,127,827	1,226,615	19,354,442
Utilisation of safety fund		—	—	—	—	—	—	(13,009,197)	(75,018)	(13,084,215)
Recognition of other changes in equity of associates and joint ventures	(30)	—	8,894,768	—	—	—	—	—	—	8,894,768
Balance at 30 June 2018 (Unaudited)		6,036,724,000	10,779,695,287	144,396,983	673,990,310	226,359,871	7,441,959,326	17,065,362	1,909,940,934	27,230,132,073

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

# COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

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

# COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended 30 June 2018

(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 2018		6,036,724,000	14,699,598,194	270,820,000	673,990,310	3,667,606,207	7,977,788	25,356,716,499
Impacts from changes in accounting policies (Unaudited) (Note 4(31))		—	—	—	—	(5,137,416)	—	(5,137,416)
Balance at 1 January 2018 (Unaudited)		<u>6,036,724,000</u>	<u>14,699,598,194</u>	<u>270,820,000</u>	<u>673,990,310</u>	<u>3,662,468,791</u>	<u>7,977,788</u>	<u>25,351,579,083</u>
Movements for the six months ended 30 June 2018 (Unaudited)								
Total comprehensive income								
Net profit		—	—	—	—	1,948,964,366	—	1,948,964,366
Other comprehensive income	(30)	—	—	(133,870,000)	—	—	—	(133,870,000)
Total comprehensive income for the period		—	—	(133,870,000)	—	1,948,964,366	—	1,815,094,366
Specific reserve								
Appropriation to safety fund		—	—	—	—	—	16,128,925	16,128,925
Utilisation of safety fund		—	—	—	—	—	(12,735,201)	(12,735,201)
Recognition of other changes in equity of associates and joint ventures	(22)	—	8,894,768	—	—	—	—	8,894,768
Balance at 30 June 2018 (Unaudited)		<u>6,036,724,000</u>	<u>14,708,492,962</u>	<u>136,950,000</u>	<u>673,990,310</u>	<u>5,611,433,157</u>	<u>11,371,512</u>	<u>27,178,961,941</u>

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 1 GENERAL INFORMATION

Qingdao Port International Co., Ltd. (“the Company”) is a stock limited company incorporated in Qingdao City of Shandong Province of the People’s Republic of China (“the PRC”) on 15 November 2013 (the Company’s “Date of Incorporation”) by Qingdao Port (Group) Co., Ltd. (“Qingdao Port Group”) (“the Leading Promoter”) together with “Other Promoters” including Shenzhen Malai Storage Co., Ltd., Qingdao Ocean Shipping Co., Ltd. (“Qingdao Ocean Shipping”), China Shipping Terminal Development Co., Ltd. (“China Shipping Terminal”), 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.

Pursuant to Qingdao State-Owned Assets Supervision & Administration Commission’s Official Reply on Approval of Establishment of Limited Liability Company and Listing of H-Shares By Qingdao Port (Group) Co., Ltd. (Qing Guo Zi Gui [2013] No. 29) and restructuring plan, Qingdao Port Group restructures and establishes a limited liability company. The total share capital of the Company at incorporation is 4,000,000,000 shares (par value at RMB 1). The shareholdings of Qingdao Port Group and Other Promoters are 90.0%, 2.8%, 2.4%, 2.4%, 1.2% and 1.2%.

Pursuant to the proposal raised at the Board of Directors and approval by the Shareholders’ Meeting, 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 (approximately equivalent to RMB 2.98). The amount of raised capital less capitalised listing expenses was 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 issued an additional of 72,404,000 foreign-listed H shares overseas. The issuance price per share was HKD 3.76 (approximately equivalent to RMB 2.99). The amount raised in over-allotment was 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.

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

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

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

As at 30 June 2018, the total share capital of the Company is 6,036,724,000 shares with par value at 1, including 4,937,699,000 domestic shares and 1,099,025,000 H shares, accounting for 81.8% and 18.2% respectively of the total share capital. Qingdao Port Group holds 58.45% shares of the Company.

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

These financial statements have been approved for issue by the Company’s Board of Directors on 20 August 2018.

The interim financial statements are unaudited.



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 2 BASIS OF PREPARATION

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

The financial statements are prepared on a going concern basis.

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

## 3 STATEMENT OF COMPLIANCE WITH THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements of the Company for the six months ended 30 June 2018 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the Consolidated and the Company's financial position as of 30 June 2018 and their financial performance, cash flows and other information for the period then ended.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### (1) Accounting year

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

### (2) Recording currency

The recording currency is Renminbi (RMB).

### (3) Business combination

#### (a) Business combination involving enterprises under common control

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

#### (b) Business combination involving enterprises not under common control

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

### (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.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (4) Preparation of consolidated financial statements (Continued)

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

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

### (5) Cash and cash equivalents

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

### (6) Foreign currency translation

#### (a) Foreign currency transaction

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

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

#### (b) Translation of foreign currency financial statements

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

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (7) Financial instruments

The Ministry of Finance released the CAS 22 - Recognition and Measurement of Financial Instruments (revised in 2017), CAS 23 - Transfer of Financial Assets (revised in 2017), CAS 24 - hedging account (revised in 2017) and CAS 37 - Presentation of Financial Instruments (revised in 2017) (hereinafter referred to as “new accounting standards for financial instruments”).

The Group implemented the new financial instruments standard for financial instruments since 1 January 2018 (Note 4 (31)(b)).

#### (a) Financial assets

##### (i) Classification of financial assets

Based on the business model for financial asset management and the contractual cash flow characteristics of financial assets, the Group classifies the financial assets as: (1) financial assets measured at amortised cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

Financial assets are measured at fair value at initial recognition. For financial assets at fair value through profit and loss, the related transaction costs are directly recognised in profit or loss. For other financial assets, the related transaction costs are included in initially recognised amounts. Accounts receivable or notes receivable arising from sales of products or rendering of services (excluding or without regard to significant financing components) are initially recognised at the consideration that is entitled to be charged by the Group as expected.

##### Debt instruments

Debt instruments held by the Group are instruments that meets the definition of financial liabilities from the perspective of the issuer, and are measured with the following three methods respectively:

##### Measured at amortised cost:

The Group's business model for financial asset management aims to receive contractual cash flows. The contractual cash flow characteristics of such financial assets are consistent with basic loan arrangement, which means the cash flow generated at certain date is only the payment for the principal and the corresponding interest based on unpaid principal. The interest income of such financial assets is recognised using the effective interest method. Such financial assets mainly comprise cash at bank and on hand, notes receivable and accounts receivable, other receivables, debt investments and long-term receivables. Debt investments and long-term receivables due within 1 year (inclusive) at the balance sheet date are included in the current portion of non-current assets; debt investments with maturities of no more than 1 year (inclusive) at acquisition are included in other current assets.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (7) Financial instruments (Continued)

#### (a) Financial assets (Continued)

##### (i) Classification of financial assets (Continued)

Measured at fair value through other comprehensive income:

The Group's business model for the financial asset management aims to receive contractual cash flows and hold the financial assets for sale. The contractual cash flow characteristics of such financial assets are consistent with basic loan arrangement. Such financial assets are measured at fair value through other comprehensive income. However, impairment losses or gains, exchange gains or losses and interest income calculated using the effective interest method are included in profit or loss in the current period. Such financial assets are presented as other debt investments. Other debt investments due within 1 year (inclusive) at the balance sheet date are included in the current portion of non-current assets; other debt investments with maturities of no more than 1 year (inclusive) at acquisition are included in other current assets.

Measured at fair value through current profit or loss:

Debt instruments not classified as financial assets measured at amortised cost or at fair value through other comprehensive income are presented as financial assets held for trading at fair value through profit or loss by the Group. Financial assets with maturities over 1 year and expected to be held over 1 year at the balance sheet date are presented as other non-current assets.

Equity instruments

Investments in equity instruments over which the Group exert no control, joint control or significant influence, are presented as financial assets held for trading and are measured at fair value through profit or loss; financial assets expected to be held over 1 year at the balance sheet date are presented as other non-current assets.

##### (ii) Impairment

Relevant loss provision is recognised for financial assets measured at amortised cost, investments in equity instruments at fair value through other comprehensive income, contract assets and financial guarantee contracts based on Expected Credit Loss ("ECL").

ECL is recognised when the Group considers reasonable and supportable information that is related to past events, current situation and forecasts on future economic conditions, and calculates probability-weighted amount of the present value of the difference between cash flows of contract receivable and expected cash flows, taking default risk as the weight.

ECL of financial instruments in different stages are measured respectively at each balance sheet date by the Group. Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition. For these assets, loss provisions are provided at 12-month ECL; Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these financial instruments, lifetime ECL are recognised. Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised.



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (7) Financial instruments (Continued)

#### (a) Financial assets (Continued)

##### (ii) Impairment (Continued)

Relevant loss provision is recognised for financial assets measured at amortised cost, investments in For financial instruments with low credit risk at the balance sheet date, the Group assumes the credit risk of such financial instruments does not increase significantly after the initial recognition, and measures loss provision based on 12-month ECL.

For financial instruments in Stage1 and Stage 2 and that with low credit risk, interest income is calculated based on gross carrying amount without deduction of impairment provision and the effective interest rate. For financial instruments in the Stage 3, interest income is calculated based on amortised cost by using carrying amount less impairment provision appropriated and the effective interest rate.

For notes receivable and accounts receivable as well as contract assets, no matter whether there is a significant financing component, the Group measures loss provision based on lifetime ECL (note 4(8)).

Impairment losses provision or reversal is included in profit or loss in the current period by the Group. For debt instrument measured at fair value through other comprehensive income, the Group adjusted other comprehensive income accordingly upon the recognition of the impairment losses or gains into profit or loss.

##### (iii) Derecognition

A financial asset is derecognised when any of the below criteria is met: (1) the contractual rights to receive the cash flows from the financial asset expire; (2) 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 (3) 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 investments in other equity instruments, 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 other comprehensive income, is recognised in retained earnings. On derecognition of other financial assets, 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 other comprehensive income, is recognised in profit or loss in the current period.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (7) Financial instruments (Continued)

#### (b) Financial liabilities

Financial liabilities are classified into the following categories at initial recognition: financial liabilities measured at amortised cost and financial liabilities at fair value through profit or loss.

The financial liabilities of the Group mainly comprise of financial liabilities measured at amortised cost, including notes payable and accounts payable, other payables, borrowings and bonds payable. Such financial liabilities are recognised initially at fair value, net of transaction costs incurred, and subsequently measured using the effective interest method. Such financial liabilities with maturities no more than one year are classified as current liabilities. Other financial liabilities with maturities over one year but are due within one year at the balance sheet date are classified as the current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability is derecognised or partly derecognised when the current obligation is discharged or partly discharged. 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 in the current period.

#### (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.

### (8) Receivables

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

The Group implemented the new financial instruments standard for financial instruments since 1 January 2018. The Group recognized impairment loss provisions based on the lifetime ECL at initial recognition and through lifetime.

As at 31 December 2017, the provision for bad debts is determined as follows:

#### (i) 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (8) Receivables (Continued)

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

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.

**(ii) 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.

Basis for grouping is as follows:

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

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

Formerly 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.
Formerly Group B	Provision for bad debts with the management methodology of five classification
Formerly Group C	Ageing analysis method

The provision 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	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%

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (8) Receivables (Continued)

#### (iii) 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.

As at 30 June 2018, the provision for bad debts is determined as follows:

#### (i) Receivables that are subject to provision for bad debts on the individual basis

If expected credit risk assessment indicates that the Group will not be able to collect the amount under the original terms, a provision for impairment of that receivable is made.

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

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

The Group classifies receivables into several groupings in accordance with credit risk characteristics and measures ECL on the basis of groupings. Basis for grouping is as follows:

Group A	Notes receivable and accounts receivable and other receivables from related parties in the consolidation scope
Group B	Loans
Group C	Notes receivable and accounts receivable other than Group A
Group D	All other remaining receivables other than Group A and Group B

For the amounts grouped as notes receivable, the Group refers to the historical credit loss experience, combined with the current situation and the forecast of future economic conditions, based on default risk exposure and the expected credit loss rate for the entire duration, to calculate the expected credit loss.

For the amounts grouped as accounts receivable, the Group refers to the historical credit loss experience, combined with the current situation and the forecast of future economic conditions, to calculate the expected credit loss using provision matrix of the aging of receivables and the lifetime ECL rate.

The aging of receivables and the lifetime ECL rate are as follows:

Aging	The lifetime ECL rate
Within 1 year	5%
1 to 2 years	10%
2 to 3 years	30%
3 to 4 years	50%
4 to 5 years	80%
Over 5 years	100%

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (8) Receivables (Continued)

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

For the amounts grouped as other receivables, the Group refers to the historical credit loss experience, combined with the current situation and the forecast of future economic conditions, based on default risk exposure and the expected credit loss rate for the next twelve months or entire lifetime, to calculate the expected credit loss.

If the Group transfers the receivables to financial institutions without recourse, the difference after deducting the book value of the converted accounts receivable and related taxes and fees shall be recorded into the current profits and losses.

### (9) Inventories

#### (a) Classification

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

#### (b) Costing of inventories

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

#### (c) Amounts due from customers for construction contract

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 contract liabilities.

Since 1 January 2018, the Group reclassified "amounts due from customers for construction contract" included in inventories into contract assets in accordance with the definition of contract assets in CAS 14 - Revenue revised by the Ministry of Finance in 2017, the impairment loss provisions are determined on the basis of the expected credit loss.

#### (d) 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.

#### (e) The Group adopts the perpetual inventory system.



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 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 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

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (10) Long-term equity investments (Continued)

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

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

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

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

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

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

#### (d) Impairment of long-term equity investments

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

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (11) Investment properties

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

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

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

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)).

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 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 residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (e) Disposal of fixed assets

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

### (13) Construction in progress

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

### (14) Intangible assets

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

#### (a) Land use rights

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



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (14) Intangible assets (Continued)

#### (b) Sea area use rights

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

#### (c) Computer software

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

#### (d) Periodical review of useful life and amortisation method

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

#### (e) Impairment of intangible assets

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

### (15) Goodwill

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

### (16) Long-term prepaid expenses

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

### (17) Impairment of long-term assets

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

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (17) Impairment of long-term assets (Continued)

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

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

### (18) Borrowing costs

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

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

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

### (19) Borrowings

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

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (20) Employee benefits

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

#### (a) Short-term employee benefits

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

#### (b) Post-employment benefits

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

##### *Basic pensions*

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

##### *Corporate annuity*

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

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (20) Employee benefits (Continued)

#### (b) Post-employment benefits (Continued)

##### *Supplemental retirement benefits*

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

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

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

#### (c) Termination benefits

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

##### *Early retirement benefits*

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

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (20) Employee benefits (Continued)

#### (c) Termination benefits (Continued)

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

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

### (21) Dividend distribution

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

### (22) Provisions

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

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

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

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

### (23) Revenue recognition

The Ministry of Finance issued CAS 14 – Revenue (revised in 2017) (hereinafter “the new revenue standard”) in 2017. The Group has adopted the above standard since 1 January 2018 (Note 4 (31) (c)).

The Group recognises revenue at the amount of consideration to which the Group expects to be entitled when customers obtain control of relevant goods or services.

At the beginning date of a contract, the Group should assess the contract to identify the individual contract obligations in the contract, and to confirm whether the individual contract obligations are to be satisfied over time or at a point in time and then recognise the revenue respectively when the individual contract obligations are satisfied.



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (23) Revenue recognition (Continued)

The following business of the Group belong to contract obligations to be satisfied over time, and the corresponding revenue recognition methods are summarised as follows:

- (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 stacking of goods like metal ores, coal, crude oil, grains, break bulk cargo, containers is recognised on the straight-line basis over the service period.
- (iii) When the outcome of a construction labour contract can be reliably estimated, contract revenue and costs are recognised based on contract performance progress at the balance sheet date. If it is assessed that the estimated total contract costs may exceed the estimated total contract revenue, the estimated loss shall be recorded in profit or loss for the current period. If completion timing of construction in progress cannot be reasonably determined, the cost incurred by the Group which are expected to be reimbursed, the revenue should be determined in accordance with the cost incurred until completion timing of construction in progress can be reasonably determined.

When the revenue is recognised according to the progress of completed labour by the Group, the amounts with unconditional collection right obtained by the Group are recognised as accounts receivable, and the rest are recognised as contract assets. Meanwhile, loss provision for accounts receivable and contract assets is recognised based on ECL (Note 4(7)). If the contract amount received or receivable exceeds the amount for the completed labour, the difference is recognised as contract liabilities. Contract assets and contract liabilities under the same contract are presented on a net basis.

Costs for rendering of services are recognised as contract performing costs, and are carried forward to cost of sales from main operations according to the progress of completed labour when the revenue is recognised. If the carrying amount of contract costs exceeds the remaining amount of consideration expected to be received for rendering the labour less the costs expected to be incurred, the Group makes provision for impairment for the difference and recognises it as impairment losses on assets.

For contract obligations to be satisfied at a point in time, the Group recognises revenue at the point in time when the customer obtains the control of the relevant goods, including the buyer has received and signed for the goods, risks and rewards of ownership of the goods transferred to the buyer, the Group has the current right to collect the payment for the goods.

Revenue from sales of oil and electricity belongs to contract obligations to be satisfied at a point in time and the corresponding revenue is recognised when the control of goods is transferred to the buyer.

The Group distinguishes whether the Group is a principal or an agent in the transactions regarding whether the Group has the control of goods when transferring the goods to the customer or before rendering of labour services. Provided that the Group has the control of goods (or labour) before the transfer of the goods, it is acting as a principal and should recognise revenue according to total consideration received or receivable; otherwise it is acting as an agent and should recognise revenue at the amount of commissions and fees to which the Group expects to be entitled.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (24) Government grants

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

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

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

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

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

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

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

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 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.

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

#### (b) Finance leases

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

### (27) Held for sale and discontinued operations

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (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.

#### (i) Critical accounting estimates and assumption

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (30) Critical accounting estimates and judgements (Continued)

#### (i) Critical accounting estimates and assumption (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 associated with supplemental retirement benefits of the Group.

##### (d) *Measurement of ECL*

For the six months ended 30 June 2018, the Group calculates ECL according to exposure at default and ECL rate, and determines ECL rate based on probability of default and loss given default. When determining ECL rate, the Group adopts data like historical credit loss experience in combination with current situation and forward-looking information to adjust historical data. When considering forward-looking information, the Group uses indicators including the risk of economic downturn, the expected increase of unemployment rate, external market environment, technology environment and changes on customer situation. The Group periodically monitors and reviews assumptions relevant to the measurement of ECL. There were no significant changes on the above technological and key assumptions for the current period.



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (30) Critical accounting estimates and judgements (Continued)

#### (ii) Critical judgements in applying the accounting policies

##### (a) *Classification of financial assets*

Significant judgements involved in determining the classification of financial assets include analysis of business mode and characteristics of the contractual cash flows.

The Group determines the business model of financial assets management based on the grouping basis, taking into account the pattern of assessment and reporting the performance of financial assets to key management, risks affecting the performance of financial assets and their management pattern, and relevant management's way of obtaining remuneration.

When assessing whether the contractual cash flow of financial assets are consistent with basic loan arrangement, the Group adopts the following judgements: whether the time distribution or amounts of the principal within the duration will change due to early repayment and other reason; whether the interest only include time value of money, credit risk, other basic loan risk and the consideration of cost and profit. For example, whether the amounts of early repayment only reflect principal unpaid, the interest based on principal unpaid and reasonable compensation paid for early termination of a contract.

##### (b) *Judgement on significant increase in credit risk*

The main criteria adopted by the Group to determine significant increase in credit risk include contractual payments overdue for over 30 days or significant changes in one or several indicators mentioned below, such as operating environment of the debtor, internal and external credit rating, significant changes on actual or expected operating result, significant decrease in value of guaranty or credit rating of guarantee provider and so on.

The main criteria adopted by the Group to determine credit impairment incurred include contractual payments overdue for over 90 days (namely default occurs), or meeting one or several criterias mentioned below, such as material financial difficulty of the debtor, other debt restructuring or probable bankrupt and so on.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (31) Changes in accounting policies

#### (a) Format of financial statements

In 2018, the Ministry of Finance released the Circular of the Ministry of Finance on Revising and Issuing the Formats of Corporate Financial Statements for 2018 (Cai Kuai [2018] No. 15). The financial statements for the six months ended 30 June 2018 are prepared in accordance with the above circular, the comparatives are restated accordingly, and the impacts for the consolidated financial statements are as follows:

The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected	
		31 December 2017	1 January 2017
The Group recorded 'notes receivable' and 'accounts receivable' in 'notes receivable and accounts receivable'.	Accounts receivable	(1,873,364,887)	(1,307,610,944)
	Notes receivable	(591,810,980)	(665,419,919)
	Notes receivable and accounts receivable	2,465,175,867	1,973,030,863
The Group recorded 'interest receivable' and 'dividends receivable' in 'other receivables'.	Interest receivable	(34,368,536)	(27,600,404)
	Dividends receivable	—	(100,000,000)
	Other receivables	34,368,536	127,600,404
The Group recorded 'construction materials' in 'construction in progress'.	Construction in progress	—	(166,211,455)
	Construction materials	—	166,211,455
The Group recorded 'notes payable' and 'accounts payable' in 'notes payable and accounts payable'.	Accounts payable	(1,517,605,961)	(1,125,837,022)
	Notes payable	(882,183,561)	(817,619,173)
	Notes payable and accounts payable	2,399,789,522	1,943,456,195
The Group recorded 'interest payable' in 'other payables'.	Interest payable	(99,576,003)	(99,129,006)
	Other payables	99,576,003	99,129,006

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (31) Changes in accounting policies (Continued)

#### (a) Format of financial statements (Continued)

The impacts for the Company's financial statements are as follows:

The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected	
		31 December 2017	1 January 2017
The Company recorded 'notes receivable' and 'accounts receivable' in 'notes receivable and accounts receivable'.	Accounts receivable	(956,905,662)	(685,670,025)
	Notes receivable	(207,434,549)	(384,780,521)
	Notes receivable and accounts receivable	1,164,340,211	1,070,450,546
The Company recorded 'interest receivable' and 'dividends receivable' in 'other receivables'.	Interest receivable	(16,724,857)	(7,932,218)
	Dividends receivable	—	(100,000,000)
	Other receivables	16,724,857	107,932,218
The Company recorded 'notes payable' and 'accounts payable' in 'notes payable and accounts payable'.	Accounts payable	(561,731,007)	(790,245,295)
	Notes payable	(225,818,064)	(270,246,223)
	Notes payable and accounts payable	787,549,071	1,060,491,518
The Company recorded 'interest payable' in 'other payables'.	Interest payable	(69,260,003)	(69,346,277)
	Other payables	69,260,003	69,346,277

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (31) Changes in accounting policies (Continued)

#### (b) Financial Instruments

The Ministry of Finance released the new financial instruments standard in 2017, the Group has prepared the financial statements for the six months ended 30 June 2018 in accordance with the above standard and the circular stated in Note 4 (31)(a). According to the new financial instruments standard, there is no need to adjust the financial information for the comparison period. The Group recognised the cumulative effect of initial adoption of the standard as adjustment to the opening balance of retained earnings of 2018 and other related items in the financial statements.

- (i) As at 1 January 2018, the Group's financial assets classified and measured using the old and the new accounting standards for financial instruments in the consolidated financial statements are compared below:

The old standards			The new standards		
Items	Measurement category	Carrying amount	Items	Measurement category	Carrying amount
Cash at bank and on hand	Amortized cost	11,705,176,363	Cash at bank and on hand	Amortized cost	11,705,176,363
Other current assets	Measured at fair value through other comprehensive income (debt instruments)	639,000,000	Financial assets held for trading	Measured at fair value through profit or loss	639,000,000
Notes receivable and accounts receivable	Amortized cost	2,465,175,867	Notes receivable and accounts receivable	Amortized cost	1,964,754,453
			Other current assets	Measured at fair value through other comprehensive income	500,421,414
Other receivables	Amortized cost	1,064,094,089	Other receivables	Amortized cost	1,064,094,089
Available-for-sale financial assets	Measured at fair value through other comprehensive income (debt instruments)	111,497,388	Other non-current financial assets	Measured at fair value through profit or loss	183,705,265
	Measured at cost (equity instruments)	72,207,877			
Long-term receivables	Amortized cost	4,395,674,475	Long-term receivables	Amortized cost	4,395,674,475

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (31) Changes in accounting policies (Continued)

#### (b) Financial Instruments (Continued)

- (i) As at 1 January 2018, the Company's financial assets in financial statements classified and measured using the old and the new accounting standards for financial instruments are compared below (Continued):

The old standards			The new standards		
Items	Measurement category	Carrying amount	Items	Measurement category	Carrying amount
Cash at bank and on hand	Amortized cost	4,699,877,447	Cash at bank and on hand	Amortized cost	4,699,877,447
Other current assets	Measured at fair value through other comprehensive income (debt instruments)	300,000,000	Financial assets held for trading	Measured at fair value through profit or loss	300,000,000
Notes receivable and accounts receivable	Amortized cost	1,164,340,211	Notes receivable and accounts receivable	Amortized cost	981,515,662
			Other current assets	Measured at fair value through other comprehensive income	182,824,549
Other receivables	Amortized cost	473,601,202	Other receivables	Amortized cost	473,601,202
Available-for-sale financial assets (equity instruments)	Measured at cost	71,421,487	Other non-current financial assets	Measured at fair value through profit or loss	71,421,487
Long-term receivables	Amortized cost	4,280,125,000	Long-term receivables	Amortized cost	4,280,125,000

- (ii) As at 1 January 2018, according to the measurement category under the new accounting standards for financial instruments, the carrying amounts of financial assets under the old standards are reconciled as follows:

Measurement category under the new standard	Note
Amortized cost	Sheet 1
Measured at fair value through profit or loss	Sheet 2
Measured at fair value through other comprehensive income	Sheet 3



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (31) Changes in accounting policies (Continued)

#### (b) Financial Instruments (Continued)

- (ii) As at 1 January 2018, according to the measurement category under the new accounting standards for financial instruments, the carrying amounts of financial assets under the old standards are reconciled as follows: (Continued)

Sheet 1: Measured at amortized cost under the new standard

	Note	Carrying amount	
		Consolidated	Company
Cash at bank and on hand			
31 December 2017		11,705,176,363	4,699,877,447
Less: Transfer to financial instruments			
measured at fair value through profit			
or loss (under the new standards)		—	—
1 January 2018		11,705,176,363	4,699,877,447
Accounts Receivable (Notes receivable and			
accounts receivable, other receivables			
and long-term receivables)			
31 December 2017		7,924,944,431	5,918,066,413
Less: Transfer to financial instruments			
measured at fair value through other			
comprehensive income			
(under the new standards)	i)	(500,421,414)	(182,824,549)
1 January 2018		7,424,523,017	5,735,241,864
Total financial assets measured at amortized			
cost (under the new standards)		19,129,699,380	10,435,119,311

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (31) Changes in accounting policies (Continued)

#### (b) Financial Instruments (Continued)

- (ii) As at 1 January 2018, according to the measurement category under the new accounting standards for financial instruments, the carrying amounts of financial assets under the old standards are reconciled as follows: (Continued)

Sheet 2: Financial assets measured at fair value through profit or loss under the new standard.

	Note	Carrying amount	
		Consolidated	Company
Financial assets held for trading (including other non-current financial assets) 31 December 2017		—	—
Add: Transfer from other current assets - available-for-sale financial assets (under the old standards)	ii)	639,000,000	300,000,000
Add: Transfer from available-for-sale financial assets (under the old standards)	ii),iii)	183,705,265	71,421,487
1 January 2018		822,705,265	371,421,487
Total financial assets at fair value through profit or loss (under the new standards)		822,705,265	371,421,487

Sheet 3: Financial assets measured at fair value through other comprehensive income under the new standard.

	Note	Carrying amount	
		Consolidated	Company
Other debt investments (including other current financial assets) 31 December 2017		—	—
Add: Transfer from notes receivable and accounts receivable (under the old standards)	i)	500,421,414	182,824,549
1 January 2018		500,421,414	182,824,549
Total financial assets at fair value through other comprehensive income (under the new standards)		500,421,414	182,824,549

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (31) Changes in accounting policies (Continued)

#### (b) Financial Instruments (Continued)

- (ii) As at 1 January 2018, according to the measurement category under the new accounting standards for financial instruments, the carrying amounts of financial assets under the old standards are reconciled as follows: (Continued)

##### *i) Notes receivable endorsement*

The Group endorsed part of the bank acceptance notes depending on the daily cash management. The Group's business model for the bank acceptance notes management aims to receive contractual cash flows and for sale. Therefore, as at 1 January 2018, the Group and the Company reclassified bank acceptance notes of RMB 500,421,414 and RMB 182,824,549 respectively to financial assets at fair value through other comprehensive income, and recognised as other current assets.

##### *(ii) Non-principal-guaranteed floating income wealth management products*

As at 31 December 2017, the carrying amount of the Group's non-principal-guaranteed floating income wealth management products matured within one year was RMB 639,000,000 and the carrying amount of those matured after one year amounted to RMB 111,497,388, among which the Company's non-principal-guaranteed floating income wealth management products matured within one year was RMB 300,000,000. Since the Group's adoption of the new standards of financial instrument, characteristics of the contractual cash flows of such wealth management products no longer comply with the basic loan arrangement, therefore, on 1 January 2018, the Group and the Company reclassified the wealth management products from available-for-sale financial assets to financial assets at fair value through profit or loss, which are recorded as financial assets held for trading and other non-current financial assets based on their liquidity.

##### *iii) Equity instruments classified as financial assets at fair value through profit or loss*

As at 31 December 2017, the carrying amount of the Group and the Company's unlisted equity investments measured at cost was RMB 72,207,877 and RMB 71,421,487 respectively. On 1 January 2018, the Group recognized such equity investments as financial assets at fair value through profit or loss and recorded them as other non-current financial assets.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (31) Changes in accounting policies (Continued)

#### (b) Financial Instruments (Continued)

- (iii) As at 1 January 2018, reconciliation of the provision for impairment under the old standards of financial instruments to provision under the new standards of financial instruments in the Group's consolidated financial statements:

Measurement category	Provision under the old standards	Remeasurement	Provision under the new standards
Financial assets measured at amortised cost -			
Provision for impairment of notes receivable and accounts receivable	119,568,049	—	119,568,049
Provision for impairment of other receivables	52,642,907	—	52,642,907
Provision for impairment of long-term receivables	106,420,355	—	106,420,355
Financial assets measured at fair value through other comprehensive income -			
Provision for impairment of other debt investments	—	—	—
Provision for impairment of contract assets	—	22,585,763	22,585,763
Total	<u>278,631,311</u>	<u>22,585,763</u>	<u>301,217,074</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (31) Changes in accounting policies (Continued)

#### (b) Financial Instruments (Continued)

- (iii) As at 1 January 2018, reconciliation of the provision for impairment under the old standards of financial instruments to provision under the new standards of financial instruments in the Company's consolidated financial statements (Continued):

Measurement category	Provision under the old standards	Remeasurement	Provision under the new standards
Financial assets measured at amortised cost -			
Provision for impairment of notes receivable and accounts receivable	51,289,353	—	51,289,353
Provision for impairment of other receivables	26,526,128	—	26,526,128
Provision for impairment of long-term receivables	49,875,000	—	49,875,000
Financial assets measured at fair value through other comprehensive income -			
Provision for impairment of other debt investments	—	—	—
Provision for impairment of contract assets	—	6,849,888	6,849,888
Total	127,690,481	6,849,888	134,540,369

- (iv) Due to the adoption of the new accounting standards for financial instruments, the Group adjusted deferred tax assets of RMB 5,646,441 accordingly in consolidated financial statements, the impact of relevant adjustments on equity attributable to the shareholders of the Company in the consolidated financial statements was RMB 16,939,322. The Company adjusted deferred tax assets of RMB 1,712,472 accordingly in financial statements, the impact of relevant adjustments was RMB 5,137,416 (note 4(31)(c)).



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (31) Changes in accounting policies (Continued)

#### (c) Revenue

The Ministry of Finance issued the revised CAS 14 - Revenue (hereinafter “the new revenue standard”) in 2017. The Group applied the new revenue standard from 1 January 2018, and evaluated all kinds of the business contract, identified the individual performance obligations as well as corresponding contract assets and contract liabilities included in the contract, evaluated the revenue recognition pattern of each individual performance obligations as over time or at a point in time, the measurement of progress, the role as principal or agent in the transactions. There is no significant change in the relevant judgment of revenue recognition after evaluation.

The Group has prepared the financial statements for the six months ended 30 June 2018 according to above standard. According to the new revenue standard, the Group recognized the cumulative effect of initial adoption of the standard as adjustment to the opening balance of retained earnings of 2018 and other related items in the financial statements, and there is no need to restate the comparative financial statements of 2017.

The new revenue standard’s impact on the Group’s financial statements are as follows:

		1 January 2018	
	Balance sheet items affected	Consolidated	Company
Due to the adoption of the new revenue standard, the Group reclassified advances from customers related to rendering of services to contract liabilities, reclassified amounts due from customers for construction contract included in inventory to contract assets, and related provisions for impairment loss were provided using the expected credit loss method under the new accounting standards for financial instruments	Contract liabilities	129,135,173	48,560,224
	Advances from customers	(129,135,173)	(48,560,224)
	Inventories	(451,715,249)	(136,997,767)
	Contract assets	429,129,486	130,147,879
	Deferred tax assets	5,646,441	1,712,472
	Undistributed profits at the beginning of the year	16,939,322	5,137,416

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (31) Changes in accounting policies (Continued)

#### (c) Revenue (Continued)

Compared to the old standard, the affected items for the six months ended 30 June 2018 due to the adoption of the new standard are as follows:

Balance sheet items affected	For the six months ended 30 June 2018	
	Consolidated	Company
Contract assets - cost	199,363,614	106,636,941
Inventories	(199,363,614)	(106,636,941)
Contract liabilities	145,695,012	38,837,921
Advances from customers	(145,695,012)	(38,837,921)

Items in the income statement are not affected.

## 5 TAXATION

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

Category	Tax rate	Tax base
Enterprise income tax	15% and 25%	Taxable income
Value-added tax ("VAT") (a)	6%, 10%, 11%, 16% and 17%	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible input VAT of the current period)
Business tax(b)	3% and 5%	Taxable revenue amount
Land use tax	5%	Taxable turnover amount
	RMB 3.5-13 per square meter per year	Actual size of the land occupied
City maintenance and construction tax	7%	Value added tax and business tax paid
Educational surcharge	3%	Value added tax and business tax paid

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 5 TAXATION (Continued)

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

#### (a) VAT

The Company and certain subsidiaries engage in sales of fuel, electromechanical equipment, concrete, electricity, water etc. and merchandise trade. And the Group also provides services like transportation, stevedoring, port management, tugboat and ocean shipping tallying and leasing of tangible movable properties, etc. The above mentioned businesses are subject to VAT. For the four months ended 30 April 2018, tax rate for sales of fuel, electromechanical equipment and electricity, merchandise trade as well as leasing of tangible movable properties is 17%; tax rate for sales of concrete, services like stevedoring, port management, tugboat, ocean shipping tallying, provision of loans and other services is 6%; tax rate for transport service, income from construction and installation project, transfer of properties like dock, storage yard and land use right and leasing of property is 11%; transfer or leasing of properties obtained before 30 April 2016 are subject to VAT levied at a rate of 5% by simple approach; 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%; income from transfer of movable properties such as stevedoring equipment and machinery equipment for which, VAT input was not offset before 31 December 2008, is subject to VAT at a tax rate of 3% but is actually levied at the preferential tax rate of 2%.

Pursuant to Cai Shui [2008] No. 32, the applicable business VAT rate was adjusted from 17% to 16% and from 11% to 10% since 1 May 2018.

#### (b) Business tax

The Group leases out assets like land use rights, port facilities and storage facilities in Qianwan port area to related parties like QQCT. The Group has collected rental fees in full and has paid business tax and other relating tax. The prepaid business tax is included in other non-current assets, which is amortised to business tax item in taxes and surcharges according to the tax amount paid corresponding to lease income recognised for each period.

### (2) Tax preference

#### Income tax

In 2016, the Company's subsidiary Qingdao Port Technology Co., Ltd. ("Technology Company") obtained 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 six months ended 30 June 2018 was 15%.

Pursuant to Cai Shui [2008] No.116 and Cai Shui [2008] No.46, Qingdao Port Dongjiakou Multi-purpose Terminal Co., Ltd. ("DMT"), Qingdao Haiye Mercuria Logistics Co., Ltd. ("Mercuria Logistics") and Datang Qingdao Port Co., Ltd. ("Datang Port"), subsidiaries of the Company, applied for public infrastructure project and obtained the Filling List for Tax Issues regarding Enterprise Income DMT and Mercuria Logistics got the approval from Shandong Jiaonan Office of the State Administration of Taxation, Datang Port got the approval from Qingdao huangdao Office of Local Administration of Taxation. DMT, Mercuria Logistics and Datang Port are entitled to periodical tax preference of three years' exemption from enterprise income tax followed by three years of 50% tax reduction since they obtain the operating income relevant to the terminal in the first year.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 5 TAXATION (Continued)

### (2) Tax preference (Continued)

#### Land use tax

For the six months ended 30 June 2018, according to Cai Shui [2017] No.33, the Group's warehousing area for bulk commodities is subject to 50% tax reduction of land use tax. According to the Tentative Regulations of the People's Republic of China of Urban Land Use Tax, the Group's land exclusively for terminal use is exempted from land use tax.

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (1) Cash at bank and on hand

	30 June 2018 (Unaudited)	31 December 2017
Cash on hand	39,018	95,372
Cash at bank	6,377,196,475	10,574,797,660
Other cash balances	867,494,743	1,130,283,331
	<u>7,244,730,236</u>	<u>11,705,176,363</u>

As at 30 June 2018, other cash balances include statutory deposit reserves in the People's Bank of China by Qingdao Finance amounted to RMB 823,949,841 (31 December 2017: RMB 743,301,422) according to relevant regulations, deposits for the issuance of bank acceptance notes amounted to RMB 21,556,000 (31 December 2017: RMB 15,452,829), deposits for the issuance of letter of credit amounted to RMB 18,497,159 (31 December 2017: RMB 3,010,801), deposits for foreign exchange trading amounted to RMB 2,830,000 (31 December 2017: RMB 367,840,839), and deposits for the issuance of letter of guarantee amounted to RMB 661,743 (31 December 2017: RMB 677,440).

### (2) Financial assets held for trading

	30 June 2018 (Unaudited)	31 December 2017
Monetary fund	271,520,006	—
Wealth management products (i)	635,000,000	—
	<u>906,520,006</u>	<u>—</u>

(i) As at 30 June 2018, wealth management products are the Group's non-principal-guaranteed floating income wealth management products purchased from commercial banks and other financial institutions.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (3) Notes receivable and accounts receivable

	30 June 2018 (Unaudited)	31 December 2017
Notes receivable(a)	69,628,805	591,810,980
Accounts receivable(b)	2,084,789,276	1,873,364,887
	<u>2,154,418,081</u>	<u>2,465,175,867</u>

#### (a) Notes receivable

	30 June 2018 (Unaudited)	31 December 2017
Bank acceptance notes	—	500,421,414
Trade acceptance notes	73,293,479	91,389,566
Less: Provision for bad debts	(3,664,674)	—
	<u>69,628,805</u>	<u>591,810,980</u>

As at 30 June 2018, the Group had no pledged acceptance notes (31 December 2017: The Group pledged trade acceptance notes of RMB 13,000,000 to the bank as collateral for the issuance of acceptance notes with same amount and pledged bank acceptance notes of RMB 3,000,000 to the bank as collateral for the issuance of bank acceptance notes, which is still in process).

As at 30 June 2018, notes receivable did not include unmatured trade acceptance notes (31 December 2017: nil).



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (3) Notes receivable and accounts receivable (Continued)

#### (b) Accounts receivable

	30 June 2018 (Unaudited)	31 December 2017
Accounts receivable	2,218,476,306	1,992,932,936
Less: Provision for bad debts	(133,687,030)	(119,568,049)
	<u>2,084,789,276</u>	<u>1,873,364,887</u>

The Group's income from rendering of service and sales are partially in form of cash, advances from customers, bank acceptance notes and trade acceptance notes. The remaining sales income are settled primarily with credit terms of 90 days.

The age of receivables and provision for bad debts are as follows:

	30 June 2018 (unaudit)			31 December 2017		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	2,079,931,031	93.75%	(103,996,552)	1,867,543,937	93.71%	(93,377,196)
1 to 2 years	100,519,599	4.53%	(10,051,960)	100,093,827	5.02%	(10,009,383)
2 to 3 years	23,554,429	1.06%	(7,777,013)	9,318,960	0.47%	(3,720,258)
3 to 4 years	5,525,035	0.25%	(2,915,293)	7,030,000	0.35%	(3,515,000)
4 to 5 years	—	0.00%	—	—	0.00%	—
Over 5 years	8,946,212	0.40%	(8,946,212)	8,946,212	0.45%	(8,946,212)
	<u>2,218,476,306</u>	<u>100.00%</u>	<u>(133,687,030)</u>	<u>1,992,932,936</u>	<u>100.00%</u>	<u>(119,568,049)</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 six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (3) Notes receivable and accounts receivable (Continued)

#### (b) Accounts receivable (Continued)

Accounts receivable are analysed by category as follows:

30 June 2018 (unaudit)				
	Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Lifetime ECL rate
Provision for bad debts on the individual basis (i)	1,320,814	0.06%	(1,320,814)	100.00%
Provision for bad debts on the grouping basis Group C (ii)	2,217,155,492	99.94%	(132,366,216)	5.97%
	<u>2,218,476,306</u>	<u>100.00%</u>	<u>(133,687,030)</u>	<u>6.03%</u>

31 December 2017				
	Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Percentage
Amounts that are individually significant and that the related provision for bad debts is provided on the individual basis (i)	—	—	—	—
Provision for bad debts on the grouping basis formerly Group C (ii)	1,991,612,122	99.93%	(118,247,235)	5.94%
Amounts that are not individually significant and that the related provision for bad debts is provided on the individual basis (i)	1,320,814	0.07%	(1,320,814)	100.00%
	<u>1,992,932,936</u>	<u>100.00%</u>	<u>(119,568,049)</u>	<u>6.00%</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (3) Notes receivable and accounts receivable (Continued)

#### (b) Accounts receivable (Continued)

- (i) As at 30 June 2018, accounts receivable for which the related provision for bad debts is made on the individual basis are analysed as follows:

	Ending balance	Lifetime ECL rate	Provision for bad debts	Reason
Receivables from Haikou Nantsing Container Lines Co. Ltd. ("Haikou Nantsing")	<u>1,320,814</u>	100.00%	<u>(1,320,814)</u>	i)

- i) The Group made provision for such receivables in full as the Haikou Nantsing had declared bankruptcy.

As at 31 December 2017, accounts receivable for which the related provision for bad debts is provided on the individual basis are analysed as follows:

	Ending balance	Percentage	Provision for bad debts
Receivables from Haikou Nantsing	<u>1,320,814</u>	100.00%	<u>(1,320,814)</u>

- (ii) Accounts receivable for which the related provision for bad debts is provided on the grouping basis are analysed as follows:

30 June 2018 (Unaudited)			
	Ending balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Within 1 year	2,079,931,031	5.00%	(103,996,552)
1 to 2 years	100,519,599	10.00%	(10,051,960)
2 to 3 years	22,539,166	30.00%	(6,761,750)
3 to 4 years	5,219,484	50.00%	(2,609,742)
4 to 5 years	—	80.00%	—
Over 5 years	8,946,212	100.00%	(8,946,212)
	<u>2,217,155,492</u>	5.97%	<u>(132,366,216)</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (3) Notes receivable and accounts receivable (Continued)

#### (b) Accounts receivable (Continued)

- (ii) Accounts receivable for which the related provision for bad debts is provided on the grouping basis are analysed as follows: (Continued)

As at 30 June 2018, the Group's net profit will be reduced by about RMB 9,256,500 if the lifetime ECL rate for each aging band increased by 10%, while other factors remain unchanged. As at 1 January 2018 the Group's undistributed profits will be reduced by about RMB 8,197,577 if the lifetime ECL rate for each aging band increased by 10%.

	31 December 2017		
	Ending balance	Provision for bad debts	
	Amount	Percentage	Amount
Within 1 year	1,867,543,937	5.00%	(93,377,196)
1 to 2 years	100,093,827	10.00%	(10,009,383)
2 to 3 years	7,998,146	30.00%	(2,399,444)
3 to 4 years	7,030,000	50.00%	(3,515,000)
4 to 5 years	—	80.00%	—
Over 5 years	8,946,212	100.00%	(8,946,212)
	<u>1,991,612,122</u>	<u>5.94%</u>	<u>(118,247,235)</u>

### (4) Other receivables

	30 June 2018 (Unaudited)	31 December 2017
Receivables of agent business (i)	593,369,763	235,969,537
Loans provided to related parties and third parties (ii)	401,668,393	492,600,680
Port construction fees receivable ("construction fees") (iii)	68,770,575	76,800,270
Interest receivables	50,623,870	34,368,536
Deposits and guarantees	20,403,439	19,831,343
Dividend receivables from joint ventures	5,237,520	—
Assets transfer receivables (iv)	3,218,118	220,029,917
Others	68,629,740	37,136,713
	<u>1,211,921,418</u>	<u>1,116,736,996</u>
Less: Provision for bad debts	<u>(61,052,282)</u>	<u>(52,642,907)</u>
	<u>1,150,869,136</u>	<u>1,064,094,089</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (4) Other receivables (Continued)

- (i) Receivables of agent business are paid by the Group on behalf of clients for agent purchase of goods and shipping agency business. 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.
- (ii) 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 subsidiaries Qingdao Finance.
- (iii) Receivables of port construction fees represent port construction fee 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.
- (iv) As at 30 June 2018, receivables of asset transfer were receivables for equity transfer of Qingdao Port International Travel Agency Co., Ltd. ("Qingdao Port Travel Agency") transferred by the Group. (As at 31 December 2017, this amount was receivables for the Group's transfer of terminal assets to Qingdao Port Dongjiakou Ore Terminal Co., Ltd. ("QDOT").

### (a) Loss provisions and the statement of changes in the carrying balance

As at 30 June 2018, Loss provisions and the statement of changes in the carrying balance are as follows(Unaudited):

	Stage 1		Stage 3		
	ECL over the next 12 months		Lifetime ECL (Credit impairment has occurred)		Total
	Amount	Provision for bad debts	Amount	Provision for bad debts	Provision for bad debts
31 December 2017	1,106,396,218	(42,302,129)	10,340,778	(10,340,778)	(52,642,907)
Changes in accounting policies	—	—	—	—	—
1 January 2018	1,106,396,218	(42,302,129)	10,340,778	(10,340,778)	(52,642,907)
Increase in the current period	95,184,422	(8,409,375)	—	—	(8,409,375)
Reverse in the current period	—	—	—	—	—
30 June 2018	1,201,580,640	(50,711,504)	10,340,778	(10,340,778)	(61,052,282)

For the six months ended 30 June 2018, no bad debt of other receivables were written off.



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (4) Other receivables (Continued)

#### (a) Loss provisions and the statement of changes in the carrying balance (Continued)

(i) As at 30 June 2018, the provision for bad debts for other receivables in the Stage I are as follows:

	Amount (unaudited)	12-month ECL rate	Provision for bad debts (unaudited)	Reason
Provision on bad debts on the grouping basis:				
Group B	401,668,393	2.41%	(9,665,200)	i)
Group D	799,912,247	5.13%	(41,046,304)	ii)
	<u>1,201,580,640</u>		<u>(50,711,504)</u>	

- i) For loans provided and accounted for in other receivables, the Group measures the risks of loans 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.
- ii) Other receivables for which the related provision for bad debts is provided on the grouping basis are analysed as follows:

30 June 2018 (Unaudited)			
	Ending balance	Provision for bad debts	
	Amount	ECL rate for the next 12 months	Amount
Within 1 year	782,493,000	4.64%	(36,331,577)
1 to 2 years	7,539,660	10.00%	(753,966)
2 to 3 years	5,362,352	30.00%	(1,608,706)
3 to 4 years	4,272,519	50.00%	(2,136,260)
4 to 5 years	144,603	80.00%	(115,682)
Over 5 years	100,113	100.00%	(100,113)
	<u>799,912,247</u>	<u>5.13%</u>	<u>(41,046,304)</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (4) Other receivables (Continued)

#### (a) Loss provisions and the statement of changes in the carrying balance (Continued)

(ii) As at 30 June 2018, the Group does not have other receivables in the Stage 2.

(iii) As at 30 June 2018, the provision for bad debts for other receivables in Stage 3 are as follows:

	Amount (unaudited)	Lifetime ECL rate	Provision for bad debts (unaudited)	Reason
Receivables from Xi'an Hedu Industrial Co., Ltd. ("Xi'an Hedu")	10,340,778	100.00%	(10,340,778)	i)

i) Xi'an hedu has been closed and involved in several lawsuits and its bank accounts have been frozen, the Group considers that the receivables are difficult to be recovered and has fully made the provision.

#### (b) Provision for bad debts

As at 31 December 2017, other receivables are analyzed by category as follows:

	31 December 2017			
	Ending balance		Provision for bad debts	
	Amount	% of total	Amount	Percentage
Amounts that are individually significant and that the related provision for bad debts is provided on the individual basis (i)	10,340,778	0.93%	(10,340,778)	100.00%
Provision for bad debts on the grouping basis				
Formerly Group B	492,600,680	44.11%	(10,508,927)	2.13%
Formerly Group C(ii)	613,795,538	54.96%	(31,793,202)	5.18%
	1,116,736,996	100.00%	(52,642,907)	4.71%

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (4) Other receivables (Continued)

#### (b) Provision for bad debts (Continued)

- (i) As at 31 December 2017, other receivables for which the related provision for bad debts is provided on the individual basis are analysed as follows:

	Ending balance	Percentage	Provision for bad debts
Receivables from Xi'an Hedu	10,340,778	100.00%	(10,340,778)

- (ii) As at 31 December 2017, provision of bad debts of RMB 10,508,927 has been determined by the Group according to the five-level classification management method for the loans provided by Qingdao Finance.

- (iii) Other receivables for which the related provision for bad debts is provided on the grouping basis are analysed as follows:

	31 December 2017		
	Ending balance	Provision for bad debts	
	Amount	Percentage	Amount
Within 1 year	598,765,800	4.71%	(28,219,863)
1 to 2 years	6,034,142	10.00%	(603,414)
2 to 3 years	7,997,962	30.00%	(2,399,389)
3 to 4 years	760,571	50.00%	(380,286)
4 to 5 years	234,063	80.00%	(187,250)
Over 5 years	3,000	100.00%	(3,000)
	613,795,538	5.18%	(31,793,202)

- (c) The provision of bad debts determined by the Group are listed as follows:

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Provision for bad debts	8,409,375	3,553,085

- (d) For the six months ended 30 June 2018 and 2017, no other receivables were written off by the Group.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (5) Advances to suppliers

	30 June 2018 (Unaudited)		31 December 2017	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	<b>129,414,198</b>	<b>100.00%</b>	79,591,581	100.00%

### (6) Inventories

(a) Inventories are summarised by categories as follows:

	30 June 2018 (Unaudited)		
	Ending balance	Provision for decline in the value of inventories	Carrying amount
Materials and finished goods	91,010,477	—	91,010,477
Spare parts	6,819,584	—	6,819,584
Fuel	2,521,539	—	2,521,539
Others	9,778,291	—	9,778,291
	<b>110,129,891</b>	<b>—</b>	<b>110,129,891</b>

	31 December 2017		
	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
Materials and finished goods	45,603,331	—	45,603,331
Spare parts	4,573,419	—	4,573,419
Fuel	4,876,866	—	4,876,866
Others	18,624,414	—	18,624,414
	<b>525,393,278</b>	<b>—</b>	<b>525,393,278</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (6) Inventories (Continued)

#### (a) Inventories are summarised by categories as follows: (Continued)

##### (i) Amount due from customers for construction contract

	30 June 2018 (Unaudited)	31 December 2017
Accumulated cost recognised	—	2,491,177,569
Add: Accumulated gross profits recognised	—	276,772,035
Less: Accumulated amounts settled	—	(2,316,234,356)
	<u>—</u>	<u>451,715,248</u>

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

	31 December 2017	Changes in accounting policies (Unaudited)	1 January 2018 (Unaudited)	Increase in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2018 (Unaudited)
Amount due from customers for construction contract	451,715,248	(451,715,248)	—	—	—	—
Materials and finished goods	45,603,331	—	45,603,331	450,326,320	(404,919,174)	91,010,477
Spare parts	4,573,419	—	4,573,419	14,357,558	(12,111,393)	6,819,584
Fuel	4,876,866	—	4,876,866	169,266,369	(171,621,696)	2,521,539
Others	18,624,414	—	18,624,414	41,973,136	(50,819,259)	9,778,291
	<u>525,393,278</u>	<u>(451,715,248)</u>	<u>73,678,030</u>	<u>675,923,383</u>	<u>(639,471,522)</u>	<u>110,129,891</u>

#### (c) As at 30 June 2018 and 31 December 2017, the management of the Group are of the view that there is no indication that the inventories may be impaired, therefore no provision for decline in the value of inventories is recorded.



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (7) Contract assets

	30 June 2018 (Unaudited)	31 December 2017
Amount due from customers for construction contract (i)	209,856,436	—
Less: Provision for Contract assets (ii)	(10,492,822)	—
	<u>199,363,614</u>	<u>—</u>

#### (i) Amount due from customers for construction contract

	30 June 2018 (Unaudited)	31 December 2017
Accumulated cost recognised	2,901,044,750	—
Add: Accumulated gross profits recognised	305,324,239	—
Less: Accumulated amounts settled	(2,996,512,553)	—
	<u>209,856,436</u>	<u>—</u>

- (ii) As at 30 June 2018, the Group recognised the provision for impairment of contract assets based on the lifetime ECL rate in accordance with policies of provision for the impairment of accounts receivable.

### (8) Other current assets

	30 June 2018 (Unaudited)	31 December 2017
Certificates of interbank deposits (i)	1,999,980,390	—
Financial assets held under resale agreement (ii)	799,500,000	—
Bank acceptance notes(iii)	750,671,721	—
VAT input to be deducted	389,143,628	394,843,059
Structural deposits (iv)	300,000,000	—
Available-for-sale financial assets	—	639,000,000
VAT input to be verified	—	2,316,042
	<u>4,239,295,739</u>	<u>1,036,159,101</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (8) Other current assets (Continued)

- (i) The amounts were certificates of interbank deposits purchased by Qingdao Finance, a subsidiary of the Company, which were issued by Bank of Dongguan Co., Ltd., Industrial Bank Co., Ltd. and Xiamen Bank Co., Ltd. Management held such deposit certificates at fair value through other comprehensive income for contract cash flows as well as for sales, therefore, classified as financial assets at fair value through other comprehensive income. The certificates of interbank deposits held by the Group have no major credit risks and no major credit losses due to bank default. As at 30 June 2018, the original value of the interbank deposit certificate was RMB 1,991,457,373, the changes of fair value through other comprehensive income was RMB 8,523,017.
- (ii) The amounts were government bonds purchased from Shanghai Pudong Development Bank Co., Ltd., Ping An Bank Co., Ltd. and Industrial Bank Co., Ltd. by Qingdao Finance, a subsidiary of the Company, in the current period with the amounts of RMB 300,000,000, RMB 399,500,000 and RMB 100,000,000 respectively. Such amounts will be resold to the above banks at the appointed time. Management held such assets for contract cash flows and the cash flow characteristics of the contract are consistent with the basic loan arrangement, therefore, classified as financial assets measured at amortised cost. As assessed by the Group, financial assets held under resale agreement have no major credit risks and no major credit losses due to bank default.
- (iii) The Group endorses part of the bank acceptance notes for its daily fund management purposes. Therefore, the bank acceptance notes are classified as financial assets at fair value through other comprehensive income. The Group believes that there is no major credit risk in the bank acceptance notes, and no major credit loss will be caused by bank default.
- (iv) The amounts were agreed deposits purchased from Shanghai Pudong Development Bank Co., Ltd. by Qingdao Finance, a subsidiary of the Company. According to the agreement signed by both parties, such structured deposits were irredeemable before the expiration with guaranteed principal and fixed income and were measured at amortised cost.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (9) Long-term receivables

	30 June 2018 (Unaudited)	31 December 2017
Loans provided to related parties and a third party (i)	2,878,740,624	4,817,814,184
Less: Current portion	(570,795,120)	(326,912,828)
Others	1,720,653	3,120,653
	<b>2,309,666,157</b>	4,494,022,009
Loan impairment provision	(68,638,515)	(106,420,355)
Less: Loan impairment provision due within one year	14,269,878	8,072,821
	<b>(54,368,637)</b>	(98,347,534)
	<b>2,255,297,520</b>	4,395,674,475

- (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. 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. Provision for loan impairment please refer to note 6 (4).

### (10) Long-term equity investments

	30 June 2018 (Unaudited)	31 December 2017
Joint ventures (a)	8,934,730,064	8,366,289,753
Associates (b)	188,080,109	171,951,976
	<b>9,122,810,173</b>	8,538,241,729

As at 30 June 2018 and 31 December 2017, the Group's management are of the view that there is no indication that the long-term equity investments may be impaired, therefore no provision for impairment is required.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (10) Long-term equity investments (Continued)

#### (a) Joint ventures

Investments in joint ventures are set out below:

	31 December 2017	Movements for the current period (Unaudited)						30 June 2018 (Unaudited)
		Increase in investment	Decrease in investment	Share of net profit/(loss) under equity method	Share of other changes in equity	Cash dividends/ profit declared	Intra-group unrealised profit	
QQCT(i)	5,246,181,955	—	—	429,653,292	4,147,659	—	(23,815,046)	5,656,167,860
Qingdao Shihua Crude Oil Terminal Co., Ltd. (Qingdao Shihua)	1,338,717,412	—	—	179,620,583	4,393,246	—	3,506,288	1,526,237,529
Qingdao Qianwan West Port United Terminal Co., Ltd. ("West United") (ii)	353,556,285	—	—	15,239,462	(123,527)	—	(2,277,213)	366,395,007
Weihai Qingwei Container Terminal Co., Ltd. ("Qingwei Container")	145,523,653	—	—	12,504,958	130,155	(52,277,520)	—	105,881,246
Qingdao Evergreen Container Storage&Transportation Co., Ltd. ("Evergreen Container")	48,914,530	—	—	11,509,953	200,168	(20,209,427)	—	40,415,224
Qingdao Orient International Container Storage and Transportation Co., Ltd. ("Orient Container")	37,936,582	8,564,407	—	3,581,720	—	(7,670,278)	—	42,412,431
Qingdao Haiwan Liquid Chemical Port Operation Co., Ltd. (Haiwan Liquid Chemical)	142,530,798	—	—	1,269,144	21,267	—	—	143,821,209
Qingdao Ganghai International Logistics Co., Ltd. ("Ganghai Logistics")	22,982,788	—	—	3,307,058	—	—	—	26,289,846
Qingdao Shenzhouxing International Transportation Co., Ltd. ("Shenzhouxing Cargo Agency")	19,288,912	—	—	8,840,255	—	—	—	28,129,167
China Shipping Agency (Qingdao) Co., Ltd. ("China Shipping Agency")	11,944,942	—	—	66,496	—	—	—	12,011,438
Qingdao United International Shipping Agency Co., Ltd. ("United Shipping Agency")	39,034,403	—	—	512,579	—	(11,574,737)	—	27,972,245
Huaneng Qingdao Port Operation Co., Ltd. ("Huaneng Qingdao")	155,712,942	—	—	(9,768,468)	21,108	—	—	145,965,582
Qingdao Port Dongjiakou IMC Logistics Co., Ltd. ("Dongjiakou IMC Logistics") (iii)	56,602,809	—	—	6,989,958	—	—	—	63,592,767
QDOT	659,159,302	—	—	17,085,902	—	—	(3,880,656)	672,364,548
Qingdao Port Express Logistics (Linyi) Co., Ltd. ("Linyi Express")	4,015,328	—	—	467	—	—	—	4,015,795
Henan Yuqing International Logistics Co., Ltd. ("Henan Yuqing")	2,452,288	—	—	—	—	—	—	2,452,288
Sinotrans Qingdao Port Dongjiakou Logistics Co., Ltd. ("Dongjiakou Sinotrans Logistics")	49,152,134	—	—	686,661	—	—	—	49,838,795
Qingdao Port Yantai Logistics Co., Ltd. ("Yantai Logistics")	13,023,984	—	(13,023,984)	—	—	—	—	—
Binzhou Port QDP International Terminal Co., Ltd. ("Binzhou Port QDP International Terminal")	8,878,433	—	—	3,521,847	104,692	—	—	12,504,972
Qingdao Port Lianrong Logistics Co., Ltd. (Lianrong Logistics)	10,680,273	—	—	1,981,842	—	(4,400,000)	—	8,262,115
	<u>8,366,289,753</u>	<u>8,564,407</u>	<u>(13,023,984)</u>	<u>686,603,709</u>	<u>8,894,768</u>	<u>(96,131,962)</u>	<u>(26,466,627)</u>	<u>8,934,730,064</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (10) Long-term equity investments (Continued)

#### (a) Joint ventures (Continued)

- (i) As stated in Note 1, the Company has issued 1,015,520,000 domestic shares to Shanghai China Shipping Terminal on 22 May 2017 at the subscription price of RMB 5.71 per share and the total subscription amounted to RMB 5,798,619,200. Shanghai China Shipping Terminal paid in cash of RMB 2,599,968,360 and 20% of its equity interest of QQCT evaluating as RMB 3,198,650,840. As at 30 June 2017, the Company holds 51% equity interest of QQCT. In accordance with the Articles of Association of QQCT, its significant financial and operating decisions should be passed at the Meeting of Board of Directors by at least 10 out of 11 directors. The Company still cannot unilaterally exercise control over QQCT, so QQCT is still accounted for as a joint venture.
- (ii) The Company holds 51% equity interest of West United. In accordance with the Articles of Association of West United, its significant financial and operating decisions should be passed at the Meeting of Board of Shareholders, but the board of directors is authorized to vote on the main business decisions. The Company can designate 3 out of 5 board members in West United. The major financial and operational decisions need to be approved by all directors. The Company cannot unilaterally exercise control over West United, therefore, West United is account for as a joint venture.
- (iii) The Company holds 51% equity interest of Dongjiakou IMC Logistics. In accordance with the Articles of Association of Dongjiakou IMC Logistics, its significant financial and operating decisions should be passed at the Meeting of Board of Directors. The Company can designate 4 out of 7 board members in Dongjiakou IMC Logistics. The major financial and operational decisions need to be approved by all directors. The Company cannot unilaterally exercise control over Dongjiakou IMC Logistics, therefore, West United is account for as a joint venture.
- (iv) As at 10 January 2018, the Company acquired 60% equity interest of Yuntai Logistics from Qingdao Yuanchang Industrial Co., Ltd, which is paid in cash of RMB 23,035,440 through business combinations not under common control, related information please refer to Note 7 (1).

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (10) Long-term equity investments (Continued)

#### (b) Associates

Investments in associates are set out below:

	31 December 2017	Movements for the current period (Unaudited)			30 June 2018 (Unaudited)
		Increase in investment	Share of net profit/(loss) under equity method	Cash dividends/ profit declared	
Qingdao Ganghua Logistics Co., Ltd. ("Ganghua Logistics")	6,342,571	—	902,712	—	7,245,283
Qingdao Qingyin Financial Leasing Co., Ltd. ("Qingyin Financial Leasing")	90,616,208	—	175,582	—	90,791,790
Qingdao Port Lianhai International Logistics Co., Ltd. ("Lianhai Logistics") (i)	—	15,000,000	49,839	—	15,049,839
Vado Investment	74,993,197	—	—	—	74,993,197
	<u>171,951,976</u>	<u>15,000,000</u>	<u>1,128,133</u>	<u>—</u>	<u>188,080,109</u>

- (i) At 2 January 2018, the subsidiary of the Company Qingdao Port International Logistics, and Qingdao COSCO Logistics Co., Ltd. set up Lianhai Logistics together, with the registered capital of RMB 30,000,000, while Qingdao Port International Logistics and Qingdao COSCO Logistics Co., Ltd. each holds 50% equity interests. According to the constitution of Lianhai Logistics, the Company has significant influence on it, measuring it as an associate.

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



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (11) Other non-current assets

	30 June 2018 (Unaudited)	31 December 2017
Investments in financial assets at fair value through profit or loss		
Non-principal-guaranteed floating income		
wealth management products (i)	111,497,388	—
Equity investments (ii)	72,207,877	—
	<u>183,705,265</u>	<u>—</u>

- (i) Other non-current assets with a carrying amount of RMB 111,497,388 are long-term financial products purchased by Qingdao Finance, a subsidiary of the Company, which are measured at fair value through profit or loss.
- (ii) Equity investment with a carrying amount of RMB 72,207,877 represent 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. The Group has no plan to dispose these investments and they are measured at fair value through profit or loss.

### (12) Investment properties

	Buildings	Land use rights	Total
Cost			
31 December 2017	38,250,915	174,642,318	212,893,233
Transfer from intangible assets (Unaudited)	—	469,616	469,616
30 June 2018 (Unaudited)	<u>38,250,915</u>	<u>175,111,934</u>	<u>213,362,849</u>
Accumulated depreciation			
31 December 2017	(5,205,943)	(14,390,845)	(19,596,788)
Increase in the current period (Unaudited)	(678,711)	(1,799,879)	(2,478,590)
Transfer from intangible assets (Unaudited)	—	(5,321)	(5,321)
30 June 2018 (Unaudited)	<u>(5,884,654)</u>	<u>(16,196,045)</u>	<u>(22,080,699)</u>
Net book value			
30 June 2018 (Unaudited)	<u>32,366,261</u>	<u>158,915,889</u>	<u>191,282,150</u>
31 December 2017	<u>33,044,972</u>	<u>160,251,473</u>	<u>193,296,445</u>

As at 30 June 2018, the management of the Group are of the view that there is no indication that the investment properties may be impaired, therefore no provision for impairment is recorded (31 December 2017: nil).

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (13) Fixed assets

	Buildings	Terminal facilities	Storage facilities	Loading equipment	Machinery and equipment	Vessels	Motor vehicles	Communication facilities	Office equipment and others	Total
Cost										
31 December 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
Transfers from construction in progress (Unaudited)	2,280,570	106,162,512	12,415,482	—	6,985,629	—	—	705,441	—	128,549,634
Business combinations involving enterprises not under common control (Unaudited)	—	—	—	17,257,323	22,816	—	456,450	—	16,683	17,753,272
Purchase in the current period (Unaudited)	1,345,782	887,119	777,146	5,219,890	22,596,995	91,439,655	6,567,426	4,523,496	3,018,725	136,376,234
Decrease in the current period (Unaudited)	—	—	—	(3,417,680)	(264,118)	—	(388,993)	(523,385)	(97,890)	(4,692,066)
30 June 2018 (Unaudited)	558,788,141	9,105,552,467	4,587,655,641	2,859,114,297	749,381,013	1,465,848,018	105,631,084	147,549,642	69,279,932	19,648,800,235
Accumulated depreciation										
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)
Increase in the current period (Unaudited)	(10,179,191)	(107,632,226)	(80,314,966)	(64,354,443)	(19,733,183)	(29,893,387)	(3,985,748)	(8,846,821)	(1,608,081)	(326,548,046)
Decrease in the current period (Unaudited)	—	—	—	—	176,331	—	136,059	503,767	36,138	852,295
30 June 2018 (Unaudited)	(199,357,595)	(1,985,092,064)	(768,997,842)	(2,363,967,927)	(545,925,377)	(596,368,147)	(75,337,797)	(91,045,545)	(35,760,915)	(6,661,853,209)
Net book value										
30 June 2018 (Unaudited)	359,430,546	7,120,460,403	3,818,657,799	495,146,370	203,455,636	869,479,871	30,293,287	56,504,097	33,519,017	12,986,947,026
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

For the sixth months ended 30 June 2018, the amounts of depreciation expenses charged to cost of sales and general, administrative and sales expenses were RMB 316,941,716, RMB 9,599,953 and RMB 6,377 respectively (for the sixth months ended 30 June 2017: RMB 265,613,659, RMB 11,624,394 and RMB 0).

As at 30 June 2018, the Company are of the view that there was no indication that the fixed assets may be impaired, therefore no provision for impairment was required (31 December 2017: nil).

For the sixth months ended 30 June 2018, the costs of fixed assets transferred from construction in progress amount to RMB 128,549,634 (for the sixth months ended 30 June 2017: RMB 176,744,650).

As at 30 June 2018, fixed assets with carrying amount of RMB 428,744,761 (cost of RMB 477,102,559) were assets held under finance leases; construction in progress with carrying amount of RMB 105,904,408 were acquired by signing financial leasing contract with Qingdao Port International Financial Leasing Co., Ltd. ("Qingdao Leasing") (31 December 2017: Fixed assets with carrying amount of RMB 331,928,804 (cost of RMB 367,561,627) were assets held under finance leases; construction in progress with carrying amount of RMB 116,711,359 were acquired by signing financial leasing contract with Qingdao Leasing) (Note12).

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (13) Fixed assets

As at 30 June 2018 and 31 December 2017, the carrying amounts of fixed assets lent out through operating leases of the Group are analysed as follows:

30 June 2018 (unaudited)	Cost	Accumulated depreciation	Net book value
Terminal facilities	2,187,267,268	(267,804,088)	1,919,463,180
Storage facilities	924,917,845	(102,091,361)	822,826,484
Buildings	26,984,361	(5,965,884)	21,018,477
Other equipment	93,923	(86,194)	7,729
	<u>3,139,263,397</u>	<u>(375,947,527)</u>	<u>2,763,315,870</u>

31 December 2017	Cost	Accumulated depreciation	Net book value
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>

### (14) Construction in progress

Project name	31 December 2017	Increase in the current period (Unaudited)	Transfer to fixed assets (Unaudited)	Transfer to intangible assets (Unaudited)	30 June 2018 (Unaudited)	Accumulative amount of capitalised borrowing costs (Unaudited)	Including: Borrowing costs capitalised in current period (Unaudited)	Capitalisation rate in the current period (Unaudited)
Dongjiakou stevedoring, storage and transportation projects for liquid bulk cargo	1,333,039,064	339,011,453	(116,297,793)	—	1,555,752,724	2,861,889	2,861,889	5.27%
Dongjiakou berth project for bulk and general cargo	481,048,953	50,864,426	(2,932,172)	—	528,981,207	29,197,074	603,546	4.90%
Dongjiakou stockyard project	220,465,422	53,347	—	—	220,518,769	—	—	—
Other Dongjiakou projects	100,983,163	626,696	(626,696)	—	100,983,163	—	—	—
Other projects	28,449,966	40,550,025	(8,692,973)	(7,406,599)	52,900,419	—	—	—
	<u>2,163,986,568</u>	<u>431,105,947</u>	<u>(128,549,634)</u>	<u>(7,406,599)</u>	<u>2,459,136,282</u>	<u>32,058,963</u>	<u>3,465,435</u>	

- (i) As at 30 June 2018, the management of the Group are of the view that there is no indication that the Construction in progress may be impaired, therefore no provision for impairment is recorded (31 December 2017: nil).

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (15) Intangible assets

	Land use rights	Software	Sea area use rights	Others	Total
Cost					
31 December 2017	827,644,325	57,148,657	116,297,540	50,178,663	1,051,269,185
Increase in the current period (Unaudited)					
Purchase	1,099,129,564	4,306,104	—	—	1,103,435,668
Transfers from construction in progress	—	7,406,599	—	—	7,406,599
Business combinations not under common control	—	99,057	—	—	99,057
Decrease in the current period (Unaudited)					
Transfer to investment property	(469,616)	—	—	—	(469,616)
30 June 2018 (Unaudited)	1,926,304,273	68,960,417	116,297,540	50,178,663	2,161,740,893
Accumulated amortisation					
31 December 2017	(57,048,044)	(33,807,597)	(6,125,830)	(32,263,558)	(129,245,029)
Increase in the current period (Unaudited)					
Provision	(16,248,342)	(4,397,438)	(1,416,690)	(1,503,125)	(23,565,595)
Decrease in the current period (Unaudited)					
Transfer to investment property	5,321	—	—	—	5,321
30 June 2018 (Unaudited)	(73,291,065)	(38,205,035)	(7,542,520)	(33,766,683)	(152,805,303)
Book value					
30 June 2018 (Unaudited)	1,853,013,208	30,755,382	108,755,020	16,411,980	2,008,935,590
31 December 2017	770,596,281	23,341,060	110,171,710	17,915,105	922,024,156

As at 30 June 2018 and 31 December 2017, the management of the Group are of the view that there is no indication that the Intangible assets may be impaired, therefore no provision for impairment is recorded

For the six months ended 30 June 2018, the amortisation of intangible assets amounted to RMB 23,565,595 (For the six months ended 30 June 2017: 13,295,657).

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (16) Other non-current assets

	30 June 2018 (Unaudited)	31 December 2017
Taxes prepaid for port facilities rental income (i)	182,160,358	187,965,580
Less: Current portion	(11,744,150)	(11,806,865)
Foundation oil (ii)	131,388,323	206,739,409
Construction and equipment expenditures prepaid	43,033,028	91,371,443
	<b>344,837,559</b>	<b>474,269,567</b>

- (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. In 2018, the Company's subsidiary, Mercuria Storage, is able to operate and store enough crude oil to guarantee safe production, therefore, disposed part of foundation oil with carrying amount of RMB 75,113,366. The gains from disposal of assets were RMB 25,644,600 (Note 4(40)).

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (17) Provision for asset impairment

	31 December 2017	Changes in accounting policies (Unaudited)	1 January 2018 (Unaudited)	Increase in the current period (Unaudited)	Decrease in the current period (Unaudited)		30 June 2018 (Unaudited)
					Reversal	Write-off	
Provision for bad debts of notes receivables and accounts receivables	119,568,049	—	119,568,049	17,783,655	—	—	137,351,704
Including: Provision for bad debts on the individual basis	1,320,814	—	1,320,814	—	—	—	1,320,814
Provision for bad debts on the grouping basis	118,247,235	—	118,247,235	17,783,655	—	—	136,030,890
Provision for bad debts of other receivables	52,642,907	—	52,642,907	8,409,375	—	—	61,052,282
Including: Provision for bad debts on the individual basis	10,340,778	—	10,340,778	—	—	—	10,340,778
Provision for bad debts on the grouping basis	42,302,129	—	42,302,129	8,409,375	—	—	50,711,504
Provision for bad debts of long-term receivables	106,420,355	—	106,420,355	—	(37,781,840)	—	68,638,515
Provision for bad debts of contract assets	—	22,585,763	22,585,763	—	(12,092,941)	—	10,492,822
	<u>278,631,311</u>	<u>22,585,763</u>	<u>301,217,074</u>	<u>26,193,030</u>	<u>(49,874,781)</u>	<u>—</u>	<u>277,535,323</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (18) Deferred tax assets and deferred tax liabilities

#### (a) Deferred tax assets before offsetting

	30 June 2018 (Unaudited)		31 December 2017	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Assets revaluation surplus	2,959,368,528	739,842,132	2,996,953,644	749,238,411
Early retirement benefits	100,990,000	25,247,500	109,490,000	27,372,500
Elimination of intra-group unrealised profit	308,165,172	77,041,293	264,077,660	66,019,415
Provision for asset impairment	273,315,800	67,311,199	265,972,940	66,672,873
Accrued expenses	28,481,555	7,120,392	28,931,601	7,232,900
Deductible losses	11,697,980	2,924,495	13,636,280	3,409,070
	<u>3,682,019,035</u>	<u>919,487,011</u>	<u>3,679,062,125</u>	<u>919,945,169</u>
Including:				
Expected to be recovered within one year (inclusive)		33,679,750		37,205,607
Expected to be recovered after one year		<u>885,807,261</u>		<u>882,739,562</u>
		<u>919,487,011</u>		<u>919,945,169</u>

#### (b) Deferred tax liabilities before offsetting

	30 June 2018 (Unaudited)		31 December 2017	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Business combinations involving enterprises not under common control	<u>91,829,872</u>	<u>22,957,468</u>	<u>92,712,584</u>	<u>23,178,146</u>
Including:				
Expected to be recovered within one year (inclusive)		404,613		624,317
Expected to be recovered after one year		<u>22,552,855</u>		<u>22,553,829</u>
		<u>22,957,468</u>		<u>23,178,146</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (18) Deferred tax assets and deferred tax liabilities

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

	30 June 2018 (Unaudited)	31 December 2017
Deferred tax assets, net	<u>896,529,543</u>	<u>896,767,023</u>

### (19) Notes payable and accounts payable

	30 June 2018 (Unaudited)	31 December 2017
Notes payable (a)	<u>796,150,359</u>	882,183,561
Accounts payable (b)	<u>1,482,236,813</u>	<u>1,517,605,961</u>
	<u>2,278,387,172</u>	<u>2,399,789,522</u>

#### (a) Notes payable

	30 June 2018 (Unaudited)	31 December 2017
Trade acceptance notes	<u>376,817,177</u>	419,372,345
Bank acceptance notes	<u>419,333,182</u>	<u>462,811,216</u>
	<u>796,150,359</u>	<u>882,183,561</u>

As at 30 June 2018, the Group has no pledged acceptance notes (31 December 2017: RMB 13,000,000 were issued with bank acceptance notes receivable of the same amount as collateral)(Note 6(3)).

#### (b) Accounts payable

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

	30 June 2018 (Unaudited)	31 December 2017
Within 3 months	<u>864,383,126</u>	816,189,426
3 to 6 months	<u>161,140,398</u>	172,159,414
Over 6 months	<u>456,713,289</u>	<u>529,257,121</u>
	<u>1,482,236,813</u>	<u>1,517,605,961</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.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (20) Contract Liabilities

	30 June 2018 (Unaudited)	31 December 2017
Agency fee received in advance	75,560,867	—
Loading fee received in advance	35,382,135	—
Transportation fee received in advance	19,661,116	—
Service fee received in advance	8,510,477	—
Others	6,580,417	—
	<u>145,695,012</u>	<u>—</u>

As at 1 January 2018, the balance of the Group's contract liabilities is RMB 129,135,173, of which RMB 104,954,703 has been transferred into revenue from main operations for the six months ended 30 June 2018.

As at 30 June 2018, contract signed with obligations not yet completed amounted to RMB 145,695,012, which is expected to be recognised into revenue in the next year.

### (21) Employee benefits payable

	30 June 2018 (Unaudited)	31 December 2017
Short-term employee benefits payable (a)	64,160,194	88,457,970
Defined contribution plans payable (b)	3,462,062	3,122,611
Termination benefits payable (c)	22,160,000	22,160,000
Defined benefit plans payable (d)	110,650,000	110,650,000
	<u>200,432,256</u>	<u>224,390,581</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (21) Employee benefits payable (Continued)

#### (a) Short-term employee benefits

	31 December 2017	Increase in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2018 (Unaudited)
Wages and salaries, bonus, allowances and subsidies	70,277,346	446,033,093	(474,841,656)	41,468,783
Employee welfare	—	43,903,219	(38,226,125)	5,677,094
Social security contributions	1,469	44,678,367	(44,678,882)	954
Including: Medical insurance	1,272	36,464,473	(36,465,195)	550
Work injury insurance	251	2,087,877	(2,087,784)	344
Maternity insurance	(54)	6,126,017	(6,125,903)	60
Housing fund	9,340	45,910,382	(45,890,090)	29,632
Labour union funds and employee education funds	6,028,680	9,625,911	(9,486,077)	6,168,514
Outsourcing costs	12,141,135	187,593,568	(189,040,840)	10,693,863
Others	—	1,300,202	(1,178,848)	121,354
	<u>88,457,970</u>	<u>779,044,742</u>	<u>(803,342,518)</u>	<u>64,160,194</u>

#### (b) Defined contribution plans

	31 December 2017	Increase in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2018 (Unaudited)
Basic pensions	2,544	74,587,434	(74,579,852)	10,126
Unemployment insurance	142	2,894,999	(2,895,141)	—
Enterprise annuity	3,119,925	19,942,536	(19,610,525)	3,451,936
	<u>3,122,611</u>	<u>97,424,969</u>	<u>(97,085,518)</u>	<u>3,462,062</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (21) Employee benefits payable (Continued)

#### (c) Termination benefits payable

	30 June 2018 (Unaudited)	31 December 2017
Early retirement benefits payable (Current portion)	<u>22,160,000</u>	<u>22,160,000</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 plan

	30 June 2018 (Unaudited)	31 December 2017
Supplemental retirement benefits (Current portion)	<u>110,650,000</u>	<u>110,650,000</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.

### (22) Taxes payable

	30 June 2018 (Unaudited)	31 December 2017
Enterprise income tax payable	189,942,438	122,212,876
Unpaid VAT	25,324,166	57,033,833
Land use tax payable	13,974,565	11,031,296
Individual income tax payable	2,673,565	3,866,543
Stamp duty payable	785,717	1,155,051
Property tax payable	1,163,839	2,343,782
Others	<u>2,535,569</u>	<u>8,483,927</u>
	<u>236,399,859</u>	<u>206,127,308</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (23) Other payables

	30 June 2018 (Unaudited)	31 December 2017
Customer deposits by Qingdao Finance (i)	4,810,261,112	8,225,623,295
Construction and equipment expenditures payable (ii)	1,103,569,155	1,281,047,075
Agency business paid on behalf (iii)	442,377,332	51,568,200
Guarantees and deposits payable (iv)	119,856,411	100,889,201
Rail freight paid on behalf (v)	76,331,375	501,545
Port construction fees payable (vi)	55,173,832	63,406,164
Dividends payable to minority shareholders	41,587,914	—
Interest payable to customer deposits	22,445,989	29,703,202
Interest on bonds payable	16,200,982	68,850,982
Others	88,309,028	55,424,802
	<b>6,776,113,130</b>	<b>9,877,014,466</b>

- (i) Customer deposits are primarily taken by Qingdao Finance from the Group's related parties.
- (ii) Construction and equipment expenditures payable are mainly payables for project construction, which remain outstanding as relevant projects have not been completed.
- (iii) Agency business paid on behalf are amounts paid on behalf by the Group relating to shipping agency business, agent procurement and other businesses.
- (iv) Guarantees and deposits payable are mainly deposit on boxes and guarantees.
- (v) Rail freight paid on behalf are rail freight collected by the Group on behalf and will be paid to China railway corporation.
- (vi) Port construction fees are collected by the Group on behalf and will be paid to Qingdao Maritime Safety Administration of the PRC.



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (24) Long-term borrowings

	Currency	30 June 2018 (Unaudited)	31 December 2017
Unsecured	RMB	126,390,687	137,390,687
Unsecured	EUR	75,632,301	75,632,301
		<u>202,022,988</u>	<u>213,022,988</u>
Less: Current portion of long-term borrowings		<u>(25,850,000)</u>	<u>(24,850,000)</u>
		<u>176,172,988</u>	<u>188,172,988</u>

As at 30 June 2018, interest rate of the long-term borrowings ranges from 2.6% to 4.9% (31 December 2017: 2.6% to 4.9%).

### (25) Bonds payable

	31 December 2017	Issued in the current period (Unaudited)	30 June 2018 (Unaudited)
Corporate bonds payable	<u>3,500,000,000</u>	<u>—</u>	<u>3,500,000,000</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (26) Long-term payables

	30 June 2018 (Unaudited)	31 December 2017
Welfare expenses paid on behalf of Qingdao Port Group	52,824,187	53,058,045
Less: Current portion	(2,610,000)	(2,610,000)
Payable to Qingdao Leasing(i)	621,763,901	540,244,451
Less: payable due within one year	(59,964,596)	(11,262,064)
Finance lease payable to third parties	3,178,412	4,207,684
Less: Finance lease payable due within one year	(2,103,624)	(2,073,499)
Others	53,000	106,000
	<b>613,141,280</b>	<b>581,670,617</b>

- (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 Port and Mercuria Logistics.

### (27) Deferred revenue

	30 June 2018 (Unaudited)	31 December 2017
Government grants		
– Special funds for outer channel (i)	133,318,699	135,275,920
– Special funds for science and technology	3,291,667	3,291,667
– Others	431,884	731,884
	<b>137,042,250</b>	<b>139,299,471</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (28) Long-term employee benefits payable

	30 June 2018 (Unaudited)	31 December 2017
Early retirement benefits payable (a)	78,830,000	87,330,000
Supplemental retirement benefits (b)	2,419,740,000	2,269,960,000
	<u>2,498,570,000</u>	<u>2,357,290,000</u>

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

#### (a) Early retirement benefits of the Group:

	30 June 2018 (Unaudited)	31 December 2017
Early retirement benefits	100,990,000	109,490,000
Less: Payable within one year	(22,160,000)	(22,160,000)
	<u>78,830,000</u>	<u>87,330,000</u>

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

#### (b) Supplemental retirement benefits of the Group:

	30 June 2018 (Unaudited)	31 December 2017
Supplemental retirement benefits	2,530,390,000	2,380,610,000
Less: Payable within one year	(110,650,000)	(110,650,000)
	<u>2,419,740,000</u>	<u>2,269,960,000</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

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

	Early retirement benefits	Supplemental retirement benefits
1 January 2018	109,490,000	2,380,610,000
Amount recognised in profit or loss for the current period (Unaudited)		
– Service cost	—	1,710,000
– Net interest expense on the net obligations	1,960,000	49,360,000
Re-measurement amount (Unaudited)		
– Actuarial gains for the current period	2,390,000	145,800,000
Payment of benefits (Unaudited)	(12,850,000)	(47,090,000)
30 June 2018 (Unaudited)	100,990,000	2,530,390,000
	Early retirement benefits	Supplemental retirement benefits
1 January 2017	134,540,000	2,734,210,000
Amount recognised in profit or loss for the current period (Unaudited)		
– Service cost	—	1,880,000
– Net interest expense on the net obligations	1,820,000	46,880,000
Re-measurement amount (Unaudited)		
– Actuarial gains for the current period	(3,180,000)	(183,120,000)
Payment of benefits (Unaudited)	(17,130,000)	(48,570,000)
30 June 2017 (Unaudited)	116,050,000	2,551,280,000

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(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 benefits as at the balance sheet date of the Group are calculated using projected unit credit method. Significant actuarial assumptions used are as follows:

	<b>30 June 2018 (Unaudited)</b>	31 December 2017
Discount rate - early retirement benefits	<b>3.50%</b>	4.00%
Discount rate - supplemental retirement benefits	<b>3.75%</b>	4.25%
Salary and welfare growth rate - early retirement benefits	<b>10%</b>	10%
Jinglao allowance growth rate - supplemental retirement benefits	<b>5%</b>	5%
Fushou allowance growth rate -supplemental retirement benefits	<b>3%</b>	3%

For the six months ended 30 June 2018,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. For the six months ended 30 June 2017,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:

	<b>Six months ended 30 June 2018 (Unaudited)</b>	Six months ended 30 June 2017 (Unaudited)
Early retirement benefits -		
Average age	<b>54.1</b>	54.3
Average expected future time until legally retirement	<b>3.5</b>	3.7
Supplemental retirement benefits -		
Average age	<b>52.5</b>	52.9
Average residual expected future entire duration	<b>30.5</b>	30.1

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 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	0.25%	1.18% down	1.21% up
Discount rate - supplemental retirement benefits	0.25%	3.08% down	3.24% up
Salary and welfare growth rate - early retirement benefits	1%	4.15% up	3.80% down
Jinglao allowance growth rate - supplemental retirement benefits	1%	5.30% up	4.50% down
Fushou allowance growth rate - supplemental retirement benefits	1%	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 30 June 2018, 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	19,800,000	15,950,000	34,970,000	54,380,000	125,100,000
Supplemental retirement benefits	112,170,000	115,980,000	372,490,000	4,087,020,000	4,687,660,000
	<u>131,970,000</u>	<u>131,930,000</u>	<u>407,460,000</u>	<u>4,141,400,000</u>	<u>4,812,760,000</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 period are as follows:

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
General and administrative expenses	4,100,000	(1,300,000)
Financial expenses	51,320,000	48,700,000



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (29) Other non-current liabilities

	30 June 2018 (Unaudited)	31 December 2017
Lease payments collected in advance	3,182,804,771	3,285,600,109
Less: Current portion of lease payments	(201,150,676)	(203,370,676)
	<b>2,981,654,095</b>	<b>3,082,229,433</b>

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

### (30) Capital surplus

	31 December 2017	Increase in the current period (Unaudited)	30 June 2018 (Unaudited)
Share premium -			
Capital premium contributed by Qingdao Port Group (a)	7,052,279,474		7,052,279,474
Capital premium contributed by Other Promoters (a)	783,586,608		783,586,608
Issue of new shares (b)	7,012,559,612		7,012,559,612
Shares issue expenses (b)	(126,431,506)		(126,431,506)
Reversal of revaluation appreciation effect from business combination involving enterprises under common control	(4,830,045,213)		(4,830,045,213)
Income tax effect recognised from revaluation appreciation	887,819,497		887,819,497
Business combination involving enterprises under common control	(18,103,678)		(18,103,678)
Other capital surplus -			
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	9,135,725	8,894,768	18,030,493
	<b>10,770,800,519</b>	<b>8,894,768</b>	<b>10,779,695,287</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (30) Capital surplus (Continued)

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

(a) The Company is a stock limited company jointly established by Qingdao Port Group and Other Promoters. The assets and liabilities as well as cash at bank and on hand contributed by Qingdao Port Group amounted to RMB 10,252,279,474 and RMB 400,000,000, respectively, which were approved by Qingdao State-owned Assets Supervision & Administration Commission. Cash at bank and on hand contributed by Other Promoters amounted to RMB 1,183,586,608. The contribution amounted to RMB 11,835,866,082 in total, including share capital of RMB 4,000,000,000 (4,000,000,000 shares, par value at RMB 1) and capital surplus of RMB 7,835,866,082.

(b) The Company issued 705,800,000 foreign-listed H-shares overseas at its initial public offering at 6 June 2014. The amount of raised capital less capitalised listing expenses is RMB 1,995,921,171, including share capital of RMB 705,800,000 (705,800,000 shares, par value at RMB 1) and capital surplus of RMB 1,290,121,171. The Company exercised over-allotment option on 2 July 2014 and increased issuance of 72,404,000 foreign-listed H shares overseas. The amount raised in over-allotment is RMB 216,167,727, including share capital of RMB 72,404,000 (72,404,000 shares, par value at RMB 1) and capital surplus of RMB 143,763,727.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(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
	Other comprehensive income that will not be subsequently reclassified to profit or loss - Changes in remeasurement of defined benefit plan obligations	Other comprehensive income that will be subsequently reclassified to profit or loss - changes in fair value of debt investment		
31 December 2016	(63,024,800)	—	1,064,000	(61,960,800)
Movements in the current period (Unaudited)	182,781,300	—	338,700	183,120,000
30 June 2017 (Unaudited)	119,756,500	—	1,402,700	121,159,200
31 December 2017	283,865,500	—	1,583,700	285,449,200
Changes in accounting policies (Unaudited)	—	—	—	—
1 January 2018 (Unaudited)	283,865,500	—	1,583,700	285,449,200
Movements in the current period (Unaudited)	(145,434,629)	5,966,112	2,191,534	(137,276,983)
30 June 2018 (Unaudited)	138,430,871	5,966,112	3,775,234	148,172,217

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (32) Surplus reserve

	31 December 2017	Appropriation in current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2018 (Unaudited)
Statutory surplus reserve	<u>673,990,310</u>	<u>—</u>	<u>—</u>	<u>673,990,310</u>

	31 December 2016	Appropriation in current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2017 (Unaudited)
Statutory surplus reserve	<u>429,859,457</u>	<u>—</u>	<u>—</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 2017	Appropriation in current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2018 (Unaudited)
General reserve	<u>226,359,871</u>	<u>—</u>	<u>—</u>	<u>226,359,871</u>

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

Pursuant to the notice in Cai Jin [2012] No.20 Administrative Measures for the Provision of Reserves of Financial Enterprises issued by the Ministry of Finance, financial enterprises shall make appropriation to general reserve for risk assets. The general reserve should not be less than 1.5% of the ending balance of risk assets, and the minimum threshold can be accumulated over a period of no more than five years. As at 31 December 2017, the general reserve of the Company's subsidiary, Qingdao Finance, has reached 1.5% of the balance of the year-end risk assets (including bank deposits, loans and advances, interest receivables and other receivables, and available for sale financial assets).

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (34) Undistributed profits

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Undistributed profits at beginning of period (before adjustment)	5,550,975,839	3,631,936,223
Adjustment (a)	(16,939,322)	—
Undistributed profits at beginning of period (after adjustment)	5,534,036,517	3,631,936,223
Add: Attributable to equity holders of the Company	1,907,922,809	1,550,465,173
Less: Profit distribution to shareholders	—	(787,551,013)
Undistributed profits at the end of the period	<u>7,441,959,326</u>	<u>4,394,850,383</u>

- (a) In 2018, undistributed profit at the beginning of period adjusted RMB16,939,322 due to the first implementation of the new revenue accounting standard and new financial instruments standard. (Note 4(31))
- (b) Pursuant to the resolution at the Board of Directors' meeting dated on 17 March 2017 and the annual general meeting dated on 28 June 2017, the Company distributed a dividend of RMB 787,551,013 to the shareholders of the Company for 2016 at RMB 130.46 per thousand shares. Dividends mentioned above have been fully paid in August 2017.

According to the resolution of the Board of Directors dated on 18 May 2018 and the resolution of the general meeting of shareholders on 6 June 2018, the Company's dividend of 2017 will not be distributed, and remained in the Company's accumulated undistributed profits. Cash dividends at 50% of the distributable profits for 2017 of the Company's accumulated undistributed profits will be distributed to the old and the new shareholders, according to their respective shareholdings at the latest recommended distributable time after issuing A shares. The Board will draw up specific dividend distribution plan and submit it to the shareholders for deliberation and approval at the shareholders' meeting.

For the six months ended 30 June 2018, the Board of Directors has not declared to release interim dividend (for the six months ended 30 June 2017: nil).

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (35) Revenue and cost of sales

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Revenue from main operations	5,160,165,744	4,333,523,802
Revenue from other operations	578,702,653	451,503,505
	<u>5,738,868,397</u>	<u>4,785,027,307</u>
	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Cost of sales from main operations	(3,441,059,285)	(2,824,789,745)
Cost of sales from other operations	(329,670,662)	(254,444,628)
	<u>(3,770,729,947)</u>	<u>(3,079,234,373)</u>

#### (a) Revenue and cost of sales from main operations

	Six months ended 30 June 2018 (Unaudited)		Six months ended 30 June 2017 (Unaudited)	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
Container handling and ancillary services	112,733,249	(34,371,658)	112,040,436	(35,528,578)
Metal ore, coal and other cargo handling and ancillary services	1,498,220,259	(1,128,796,439)	1,575,424,796	(1,206,615,807)
Liquid bulk cargo handling and ancillary services	440,584,628	(133,117,981)	230,832,910	(54,962,534)
Logistics and port value-added services	2,698,523,075	(1,780,021,328)	2,002,514,697	(1,182,026,543)
Port ancillary services - construction, labour and construction of port machinery	410,104,533	(364,751,879)	412,710,963	(345,656,283)
	<u>5,160,165,744</u>	<u>(3,441,059,285)</u>	<u>4,333,523,802</u>	<u>(2,824,789,745)</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (35) Revenue and cost of sales (Continued)

#### (b) Revenue and cost of sales from other operations

	Six months ended 30 June 2018 (Unaudited)		Six months ended 30 June 2017 (Unaudited)	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Port ancillary service - sales of fuel, electricity and others	575,177,879	(329,162,175)	439,362,288	(253,980,361)
Financial services	3,524,774	(508,487)	12,141,217	(464,267)
	<b>578,702,653</b>	<b>(329,670,662)</b>	<b>451,503,505</b>	<b>(254,444,628)</b>

For the six months ended 30 June 2018, among the above revenue categories, except for contract obligations of partial port ancillary services like sales of fuel, electricity and others are satisfied at a point in time and leasing rental income, the remaining contract obligations are satisfied over-time.

### (36) Taxes and surcharges

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Land use tax	26,756,190	22,943,890
City maintenance and construction tax	10,983,563	8,293,239
Educational surcharge	7,824,360	5,927,625
Business tax (i)	5,094,067	5,929,256
Stamp duty	2,725,923	7,252,600
Property tax	2,597,139	1,928,618
Others	3,997,883	1,457,470
	<b>59,979,125</b>	<b>53,732,698</b>

- (i) As described in Note 6(16), the Group leases port facilities to related parties, such as QQCT with lease term of 30 years. By the end of 2010, the rentals are collected in full amount. The Group recognized business tax and related taxes at the time of receipt of the port facilities lease payment, business tax prepaid are recorded into other non-current assets, and carried forward to taxes and surcharges based on leasing income recognised in every period.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (37) Financial expenses

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Interest costs	112,854,657	101,241,048
Less: Capitalised interest	(3,465,435)	(1,462,325)
Interest expenses	109,389,222	99,778,723
Less: Interest income	(294,601,920)	(243,273,042)
Effect of actuarial calculation of employee benefits	51,320,000	48,700,000
Exchange gains or losses	(15,259,554)	18,598,636
Others	1,391,197	224,682
	<b>(147,761,055)</b>	<b>(75,971,001)</b>

### (38) Expenses by nature

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

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Subcontract cost	1,094,732,769	731,606,888
Employee benefits	874,688,527	821,068,394
Cost for outsourcing transportation	816,809,196	613,504,653
Depreciation of fixed assets	326,548,046	277,238,053
Consumption of raw materials in construction contract	188,405,696	132,614,791
Cost of sales for fuel and electricity	176,092,160	140,056,328
Fuel and utility fees	123,964,498	113,292,631
Consumption of other raw materials	123,079,049	118,515,465
Rental expenses	107,742,516	89,366,234
Repair charges	37,486,420	39,141,479
Amortisation of intangible assets	23,565,595	13,295,657
Cost of traded goods	9,921,083	123,436,728
Amortisation of long-term prepaid expenses	7,457,771	7,852,209
Auditor's fee	3,928,642	3,415,807
– Audit services	3,919,279	3,373,672
– Non-audit services	9,363	42,135
Depreciation of investment properties	2,478,590	2,246,639
Others	74,084,347	73,568,742
	<b>3,990,984,905</b>	<b>3,300,220,698</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (39) Asset impairment losses

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Provision for bad debts of notes receivable and accounts receivable	17,783,655	—
Provision for bad debts of other receivables	8,409,375	—
Provision for bad debts of long-term receivables	(37,781,840)	—
Provision for bad debts of contract assets	(12,092,941)	—
	<u>(23,681,751)</u>	<u>—</u>

### (40) Investment income

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Investment income from long-term equity investments under equity method	661,265,215	511,045,352
Investment income from disposal of financial assets held for trading	12,603,574	—
Investment income from disposal of other debt investment	14,111,870	—
Investment income from disposal of available-for-sale financial assets	—	12,357,985
Investment income from the original long-term equity investment remeasured at fair value through step-by-step business combination	(791,577)	6,339,652
Dividend income from other equity instruments investment	29,250	—
Investment income from available-for-sale financial assets	—	29,250
Investment income from disposal of subsidiaries	159,536	—
	<u>687,377,868</u>	<u>529,772,239</u>

There is no restriction on recovery of investment income.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (41) Income tax expenses

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Current income tax calculated based on tax law and related regulations	516,769,961	410,949,248
Deferred income tax	5,883,921	(554,563)
	<u>522,653,882</u>	<u>410,394,685</u>

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

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Total profit	2,582,537,438	2,063,026,258
Income tax expenses calculated at applicable tax rates	645,634,360	515,756,565
The effect of preferential tax rates	(2,743,211)	(1,608,267)
Investment income not subject to tax	(165,316,304)	(127,761,338)
Additional deduction of employee benefits of the disabled	(866,068)	(1,111,740)
Costs, expenses and losses not deductible for tax purposes	39,055,807	19,509,760
The effect of deferred income tax with zero tax rate on deductible losses during the reversion period	6,889,298	5,609,705
Income tax expenses	<u>522,653,882</u>	<u>410,394,685</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (42) Earnings per share

#### (a) Basic earnings per share

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

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Consolidated net profit attributable to ordinary shareholders of the Company	1,907,922,809	1,550,465,173
Weighted average number of ordinary shares outstanding	6,036,724,000	5,054,746,983
Basic earnings per share	0.32	0.31
Including:		
– Basic earnings per share from continuing operations	0.32	0.31
– Basic earnings per share from discontinued operations	—	—

#### (b) Diluted earnings per share

Diluted earnings per share is calculated by dividing net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares for the six months ended 30 June 2018 (for the six months ended 30 June 2017: nil), diluted earnings per share equal to basic earnings per share.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (43) Notes to the cash flow statement

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

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Net profit	2,059,883,556	1,652,631,573
Add: Provision for asset impairment loss	—	6,662,216
Reversal of credit impairment loss	(23,681,751)	—
Depreciation of fixed assets and investment properties	329,026,636	279,484,692
Amortisation of intangible assets	23,565,595	13,295,657
Amortisation of long-term prepaid expenses	7,457,771	7,852,209
Amortisation of deferred income	(2,257,221)	(395,480)
Gains on disposal of non-current assets	(28,648,141)	(4,013,788)
Changes in fair value (income)	(1,659,606)	—
Investment income	(687,377,868)	(529,772,239)
Decrease/(increase) in deferred tax assets	5,883,921	(554,563)
Financial expenses	(140,007,368)	(73,638,206)
Increase/(decrease) in inventories	193,371,058	(38,401,376)
Increase in operating receivables	(832,232,001)	(784,919,555)
Increase in operating payables	273,930,464	290,403,309
Net cash flows from operating activities	<u>1,177,255,045</u>	<u>818,634,449</u>

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

##### (i) Endorsement of notes receivable

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Goods and services purchased by endorsement of notes receivable	<u>838,245,386</u>	<u>765,067,014</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (43) Notes to the cash flow statement (Continued)

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

##### (i) Endorsement of notes receivable

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Long-term assets acquired by endorsement of notes receivable	38,123,406	74,644,592
Construction expenditures paid on behalf by endorsement of notes receivable	—	21,578,781
	<u>38,123,406</u>	<u>96,223,373</u>

##### (ii) Finance lease

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Finance lease assets	<u>80,490,178</u>	<u>6,222,222</u>

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

##### (i) Notes receivable discounted

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Short-term borrowings payment deducted by previously discounted notes receivable fall due	<u>—</u>	<u>220,796,100</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (43) Notes to the cash flow statement (Continued)

#### (e) Net movements in cash

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Cash at the end of the period	4,401,231,916	8,567,122,413
Less: Cash at the beginning of the period	(6,362,939,502)	(2,747,487,988)
Net increase in cash	(1,961,707,586)	5,819,634,425

#### (f) Cash

	30 June 2018 (Unaudited)	31 December 2017
Cash at bank and on hand (Note 6(1))	7,244,730,236	11,705,176,363
Less: Term deposits with initial term of over 3 months	(1,976,003,577)	(4,211,953,530)
Other restricted cash balance	(867,494,743)	(1,130,283,331)
Cash at the end of the period/year	4,401,231,916	6,362,939,502

#### (g) Cash received relating to other operating activities

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Operating lease rental of port facilities	138,353,781	83,761,419
Railway freight collected on behalf	75,829,830	—
Advance payment collected	58,120,474	—
Deposits and guarantees	18,395,114	44,627,191
Government grants	15,263,501	17,304,864
Commission from port construction fees	7,243,070	7,175,068
Interest from cash at bank	6,685,098	4,730,556
Logistic related fees collected on behalf	—	15,720,540
Others	369,781	2,616,660
	320,260,649	175,936,298

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (43) Notes to the cash flow statement (Continued)

#### (h) Cash paid relating to other operating activities

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Logistics related fees paid on behalf	24,711,568	—
General office expenses and entertainment expenses	19,954,997	11,624,684
Intermediary service fee	6,162,367	8,496,230
Port construction fees paid on behalf	202,637	15,740,488
Purchases of goods paid on behalf	—	92,506,647
Others	23,662,196	22,062,439
	<b>74,693,765</b>	<b>150,430,488</b>

#### (i) Cash received relating to other investing activities

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Loans repayment received from related parties and third parties	4,972,848,751	357,876,677
Cash received from a subsidiary acquired	—	12,354,584
	<b>4,972,848,751</b>	<b>370,231,261</b>

#### (j) Cash paid relating to other investing activities

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Loans provided to related parties and third parties	3,019,342,904	642,212,513
Statutory deposit reserves by Qingdao Finance	80,648,420	54,242,430
Payment for assets purchased for finance lease	—	81,658,748
Construction expenditures paid on behalf	—	2,751,587
	<b>3,099,991,324</b>	<b>780,865,278</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (43) Notes to the cash flow statement (Continued)

#### (k) Cash received relating to other financing activities

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Customer deposits by Qingdao Finance	—	844,083,202

#### (l) Cash payments relating to other financing activities

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Decrease in customer deposits by Qingdao Finance	3,397,131,091	—
Repay the principal and interest of finance lease	27,842,279	—
Payment to Qingdao Port Group	—	417,577,939
Payment for shares issue expenses	—	13,009,480
	<u>3,424,973,370</u>	<u>430,587,419</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 7 CHANGES OF THE SCOPE OF CONSOLIDATION

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

#### (a) Business combinations involving enterprises not under common control in the six months ended 30 June 2018

Acquiree	Acquisition time	Costs	% of equity acquired	Acquisition method	Acquisition date	Basis for determining the acquisition date	Revenue of the acquiree from the acquisition date to the end of the period	Net profit of the acquiree from the acquisition date to the end of the period	Cash flows from operating activities of the acquiree from the acquisition date to the end of the period	Net cash flows from operating activities of the acquiree from the acquisition date to the end of the period
Yantai Logistic	10 January 2018	23,035,440	60%	By cash	10 January 2018	Control obtained	227,743,157	(2,361,722)	(36,303,285)	(8,640,100)

In June 2014, Yantai Logistics was jointly established by QDP Logistics and Qingdao Yuanchang Industry Co., Ltd. QDP Logistics made contribution in cash and holds 40% equity interest of Yantai Logistics.

On 10 January 2018, QDP Logistics obtained 60% equity of Yantai Logistics from Qingdao Yuanchang Industry Co., Ltd. at the amount of RMB 23,035,440. Therefore, Yantai Logistics became a wholly owned subsidiary of the Company.

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

	Yantai Logistic (Unaudited)
Costs of combination	
– Cash	23,035,440
– Fair value of 40% equity interest previously held at acquisition date	12,232,407
Less: Fair value of the identifiable net assets obtained	(30,581,017)
Goodwill	4,686,830
Fair value of 40% equity interest previously held at acquisition date	12,232,407
Less: carrying amount of 40% equity interest previously held	(13,023,984)
Investment income	(791,577)

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 7 CHANGES OF THE SCOPE OF CONSOLIDATION (Continued)

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

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

##### (i) Yuntai Logistic

	Acquisition date Fair value (Unaudited)	Acquisition date Carrying amount (Unaudited)	31 December 2017 Carrying amount (Unaudited)
Cash at bank and on hand	18,231,092	18,231,092	18,231,092
Notes receivable and accounts receivable	102,048,609	102,048,609	102,048,609
Advances to suppliers	31,342,278	31,342,278	31,342,278
Other receivables	1,101,699	1,101,699	1,101,699
Inventory	57,048	57,048	57,048
Fixed assets	17,753,272	17,753,272	17,753,272
Intangible assets	99,057	99,057	99,057
Less: Short-term borrowing	(61,944,667)	(61,944,667)	(61,944,667)
Notes payable and accounts payable	(51,825,432)	(51,825,432)	(51,825,432)
Advances from customers	(6,318,328)	(6,318,328)	(6,318,328)
Employee benefits payable	(1,123,516)	(1,123,516)	(1,123,516)
Taxes payables	714,624	714,624	714,624
Other payables	(3,054,719)	(3,054,719)	(3,054,719)
Long-term borrowing	(16,500,000)	(16,500,000)	(16,500,000)
Net assets	30,581,017	30,581,017	30,581,017
Less: Minority interests	—	—	—
Net assets obtained	30,581,017		

The Group uses valuation technology to determine the fair value of the assets and liabilities of the Yuntai Logistics on the purchase date. The evaluation method of the main assets and fixed assets is the replacement cost method, and the key assumption is that the transport assets will continue to be used according to the existing purposes.



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 7 CHANGES OF THE SCOPE OF CONSOLIDATION (Continued)

### (2) Disposal of subsidiaries

- (a) Information of subsidiaries disposed for the six months ended 30 June 2018 are summarised as follows:

Name of subsidiary	Consideration received from the disposal	Disposal proportion	Way of disposal	Time of losing control	Judgement for time of losing control	Difference between consideration received from the disposal and corresponding shares of net assets attributable to the parent company in the consolidated financial statements	Amount transferred from other comprehensive income related to initial equity investment to gains or losses of investment
Qingdao Port Travel Agency	3,218,118	94.29%	Equity transfer	25 April 2018	Change of business registration	159,536	—

On 25 April 2018, the Company disposed 94.29% of its equity interests to Qingdao Port Group with gains from disposal of 159,536.

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

	Amount
Consideration received from the disposal	3,218,118
Less: Share of net assets of Fund Management in the consolidated financial statements	(3,058,582)
Investment income arising from disposal	<u>159,536</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 7 CHANGES OF THE SCOPE OF CONSOLIDATION (Continued)

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

On 21 March 2018, Qingdao Port Lugang (Jiaozhou) International Logistics Co., Ltd. (“Lugang Logistics”) was established as a wholly owned subsidiary by QDP Logistics, a subsidiary of the Company, with the registered capital of RMB 5 million. As at 30 June 2018, capital contribution of RMB 5 million had been made.

On 11 May 2018, Qingdao Port Jimo Port International Logistics Co., Ltd. (“Jimo Logistics”) was established as a non-wholly owned subsidiary by QDP Logistics, a subsidiary of the Company with contribution of RMB 90,000,000 and the registered capital of RMB150 million. As at 30 June 2018, capital contribution of RMB 45,000,000 had been made.

On 30 May 2018, Qingdao Qianwan International Automobile Supply Chain Co., Ltd. (“Automobile Supply Chain”) was established as a non-wholly owned subsidiary by QDP Logistics, a subsidiary of the Company with contribution of RMB 45,000,000 and the registered capital of RMB 100 million. As at 30 June 2018, capital contribution of RMB 13,500,000 had been made.

On 14 June 2018, Shandong Qingdong Pipe Co., Ltd. (“Qingdong Pipe”) was established as non-wholly owned subsidiary by the Company with the registered capital of RMB 500 million. As at 30 June 2018, no contribution was made.

On 27 June 2018, Qingdao Waili Testing Co., Ltd. (“Waili Testing”) was established as a wholly owned subsidiary by Qingdao Ocean Shipping Tally Co, Ltd. (“Ocean Shipping Tally”), a subsidiary of the Company with contribution of RMB 4,000,000. As at 30 June 2018, no contribution was made.

Please refer to Note 8(1)(a) for the details of the subsidiaries mentioned above. Those subsidiaries are included in the scope of consolidation.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 EQUITY INTEREST IN OTHER ENTITIES

### (1) Equity interest in subsidiaries

#### (a) Constitution of the enterprise group

	Category 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%	Set-up or investment
QDP Logistics	Limited Liability Company	Qingdao, China	Qingdao, China	Integrated logistics	100%	—	100%	Set-up or investment
Qingdao Hongyu Cargo Agency Co., Ltd. ("Hongyu Cargo Agency")	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	100%	—	100%	Set-up or investment
Qingdao GLS Shipping Co., Ltd. ("GLS Shipping")	Limited Liability Company	Qingdao, China	Qingdao, China	Shipping agency	100%	—	100%	Set-up or investment
Qingdao Ocean Shipping Repair Co., Ltd. ("Ocean Shipping Repair")	Limited Liability Company	Qingdao, China	Qingdao, China	Shipping repair services	100%	—	100%	Set-up or investment
Qingdao Port (Group) Engineering Co., Ltd. ("Qingdao Port Engineering")	Limited Liability Company	Qingdao, China	Qingdao, China	Engineering & construction	100%	—	100%	Set-up or investment
Qingdao Port Engineering Design Institute Co., Ltd. ("Port Engineering Design Institute")	Limited Liability Company	Qingdao, China	Qingdao, China	Engineering design service	—	100%	100%	Set-up or investment
Ocean Shipping Tally	Limited Liability Company	Qingdao, China	Qingdao, China	Ocean shipping tally services	84%	—	84%	Set-up or investment
Qingdao Gangjia Logistics Co., Ltd. ("Gangjia Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Logistics services	51%	—	51%	Set-up or investment
Qingdao Bonded Port Area Gangrong Storage Centre Co., Ltd. ("Gangrong Storage")	Limited Liability Company	Qingdao, China	Qingdao, China	Storage service	100%	—	100%	Set-up or investment
Qingdao Port Passenger Terminal Duty Free Merchandise Co., Ltd. ("Duty-free Merchandise")	Limited Liability Company	Qingdao, China	Qingdao, China	Sales of duty free merchandise	100%	—	100%	Set-up or investment

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 EQUITY INTEREST IN OTHER ENTITIES (Continued)

### (1) Equity interest in subsidiaries (Continued)

#### (a) Constitution of the enterprise group (Continued)

	Category of entity	Major business location	Place of registration	Principal activities	Shareholding (%)		Voting rights (%)	Acquisition method
					Direct	Indirect		
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	62%	—	60%	Business combinations involving enterprises not under common control
Mercuria Oil Terminal (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Storage service	71%	—	60%	Business combinations involving enterprises not under common control
Qingdao Port E-Link Logistics Co., Ltd. ("E-Link Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	—	65%	65%	Set-up or investment
Qingdao Port International Trade Logistics Co., Ltd. ("International Trade Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Trade agency	—	60%	60%	Set-up or investment
Qingdao Port Eimskip Coldchain Logistics Co., Ltd. ("Eimskip Coldchain") (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Logistics services	70%	—	60%	Set-up or investment
Qingdao Finance	Limited Liability Company	Qingdao, China	Qingdao, China	Financial services	70%	—	70%	Set-up or investment
Qingdao Port Dongjiakou Bulk Cargo Logistics Co., Ltd. ("Bulk Cargo Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	—	51%	51%	Set-up or investment
Technology Company	Limited Liability Company	Qingdao, China	Qingdao, China	Technology services	100%	—	100%	Set-up or investment
Qingdao Port Properties Co., Ltd. ("Qingdao Port Properties")	Limited Liability Company	Qingdao, China	Qingdao, China	Property management	100%	—	100%	Set-up or investment
Qingdao Port Culture Media Co., Ltd. Culture Media	Limited Liability Company	Qingdao, China	Qingdao, China	Media services	100%	—	100%	Set-up or investment
Qingdao Port Jieyuntong Logistics Co., Ltd. ("Jieyuntong Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	—	51%	51%	Set-up or investment
Qingdao Port Jiefeng International Logistics Co., Ltd. ("Jiefeng Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	—	51%	51%	Set-up or investment
Qingdao Port Lianjie International Logistics Co., Ltd. ("Lianjie Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Container Freight Station ("CFS")	—	58%	58%	Set-up or investment
Qingdao Port Lianyu International Logistics Co., Ltd. ("Lianyu Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	—	60%	60%	Set-up or investment
Qingdao Port Pulp Logistics Co., Ltd. ("Pulp Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	—	55%	55%	Set-up or investment

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 EQUITY INTEREST IN OTHER ENTITIES (Continued)

### (1) Equity interest in subsidiaries (Continued)

#### (a) Constitution of the enterprise group (Continued)

	Category of entity	Major business location	Place of registration	Principal activities	Shareholding (%)		Voting rights (%)	Acquisition method
					Direct	Indirect		
Qingdao City Qingdao Port Commodity Trading Center Co., Ltd. ("QDP CTC")	Limited Liability Company	Qingdao, China	Qingdao, China	Trade agency	—	100%	100%	Business combination involving enterprises under common control
Qingdao Port International Development (Hong Kong) Co., Ltd. ("International Development")	Limited Liability Company	Hong Kong, China	Hong Kong, China	Investment management	100%	—	100%	Business combination involving enterprises under common control
Qingdao Port Tongbao Shipping Co., Ltd. ("Tongbao Shipping")	Limited Liability Company	Qingdao, China	Qingdao, China	Logistics services	100%	—	100%	Set-up or investment
Qingdao Port Tongze Trading Co., Ltd. ("Tongze Trading")	Limited Liability Company	Qingdao, China	Qingdao, China	Sales of goods	100%	—	100%	Set-up or investment
DMT (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo handling services	80%	—	67%	Set-up or investment
Qingdao Port Svitser Towage Co., Ltd. ("Svitser Towage") (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Lightering services	55%	—	60%	Set-up or investment
Lianhua Pipeline	Limited Liability Company	Qingdao, China	Qingdao, China	Fuel storage	51%	—	51%	Set-up or investment
Qingdao Port Lianxin International Logistics Co., Ltd. ("Lianxin Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	CFS service	—	58%	58%	Set-up or investment
Weifang Port Lianhua Storage Co., Ltd. ("Weifang Port Lianhua")	Limited Liability Company	Weifang, China	Weifang, China	Fuel storage	—	100%	100%	Set-up or investment
Qingdao Qianwan Port Bonded Logistics Centre Co., Ltd. ("Bonded Logistics Centre")	Limited Liability Company	Qingdao, China	Qingdao, China	Storage service	63%	37%	100%	Business combinations involving enterprises not under common control
Dongying Port Lianhua Pipeline Petroleum Transportation Co., Ltd. ("Dongying Port Lianhua")	Limited Liability Company	Dongying, China	Dongying, China	Fuel storage	—	70%	70%	Set-up or investment
Vopak Logistics (Qingdao) Co., Ltd. ("Vopak Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo handling services	100%	—	100%	Business combinations involving enterprises not under common control
Qingdao Port Lianhua Logistics Co., Ltd. ("Lianhua Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	CFS service	—	60%	60%	Set-up or investment
Qingdao Lianxing Tally Co, Ltd. ("Lianxing Tally")	Limited Liability Company	Qingdao, China	Qingdao, China	Ocean shipping tally services	—	100%	100%	Set-up or investment
Yantai Logistics	Limited Liability Company	Qingdao, China	Qingdao, China	Logistics services	—	100%	100%	Business combinations involving enterprises not under common control
Lugang Logistics	Limited Liability Company	Qingdao, China	Qingdao, China	CFS service	—	100%	100%	Set-up or investment
Jimo Logistics	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	—	60%	60%	Set-up or investment
Automobile Supply Chain	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	—	45%	45%	Set-up or investment
Qingdong Pipe	Limited Liability Company	Qingdao, China	Qingdao, China	Fuel storage	—	51%	51%	Set-up or investment
Waili Testing	Limited Liability Company	Qingdao, China	Qingdao, China	Check and inspection	—	100%	100%	Set-up or investment
Qingdao Port Tongan Security Co., Ltd. ("Tongan Security")	Limited Liability Company	Qingdao, China	Qingdao, China	Security services	100%	—	100%	Set-up or investment

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 EQUITY INTEREST IN OTHER ENTITIES (Continued)

### (1) Equity interest in subsidiaries (Continued)

#### (a) Constitution of the enterprise group (Continued)

- (i) As at 23 May 2014, the Company acquired 51% equity of Mercuria Logistics through increase in capital and shares, and Mercuria Logistics was treated as a subsidiary and included in the consolidation scope, since the minority shareholders have not completed their investment, the company enjoy the rights and interests according to the actual proportion of investment. In 2018, Mercuria Logistics revised the Articles of Association, the Company hold 62% equity of Mercuria Logistics based on new association. Mercuria Logistics's relevant operating activities are made by the resolution of the Board which subject to the approval of more than half of the directors who attend the Board's meeting. The Company can designate 3 out of 5 board members in Mercuria Logistics, so the voting rights held by the Company is 60%.

As at 30 October 2014, the Company acquired 65% equity of Mercuria Oil Terminal through increase in capital and shares, and Mercuria Oil Terminal was treated as a subsidiary and included in the consolidation scope. As at 30 June 2018, the Company and minority shareholders has not completed capital contributions to Mercuria Oil Terminal, and the Company enjoys the rights and interests according to the actual percentage of shareholding of 71%. The decisions on Mercuria Oil Terminal's relevant operating activities are made by the resolution of the Board which subject to the approval of more than half of the directors who attend the Board's meeting. The Company can designate 3 out of 5 board members in Mercuria Oil Terminal, so the voting rights held by the Company is 60%.

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

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

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

As at 30 June 2018, no share capital or debt securities are issued by the subsidiaries of the Company.



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 EQUITY INTEREST IN OTHER ENTITIES (Continued)

### (1) Equity interest in subsidiaries (Continued)

#### (b) Subsidiary with significant minority interests

Name of subsidiary	Shareholding of minority shareholders	Gains and losses attributable to minority interests for the six months ended 30 June 2018 (Unaudited)	Dividends declared to minority interests for the six months ended 30 June 2018 (Unaudited)	30 June 2018 Minority interests (Unaudited)
Qingdao Finance	30%	51,173,046	—	533,416,428
Lianhua Pipeline	49%	28,283,119	—	458,281,864
Mercuria Logistics	38%	3,070,867	—	203,890,962

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

	30 June 2018 (Unaudited)			31 December 2017		
	Qingdao Finance	Lianhua Pipeline	Mercuria Logistics	Qingdao Finance	Lianhua Pipeline	Mercuria Logistics
Current assets	11,242,738,330	1,050,182,842	61,862,453	12,274,477,669	501,834,740	17,766,330
Non-current assets	3,021,051,883	2,586,593,814	932,850,402	3,578,961,205	2,101,058,250	944,442,824
Total assets	14,263,790,213	3,636,776,656	994,712,855	15,853,438,874	2,602,892,990	962,209,154
Current liabilities	(12,481,336,035)	(701,659,063)	(95,436,783)	(14,251,102,282)	(542,543,941)	(189,008,501)
Non-current liabilities	(4,389,415)	(1,989,491,026)	(466,166,221)	(3,371,667)	(1,450,954,634)	(348,064,422)
Total liabilities	(12,485,725,450)	(2,691,150,089)	(561,603,004)	(14,254,473,949)	(1,993,498,575)	(537,072,923)

	Six months ended 30 June 2018 (Unaudited)			Six months ended 30 June 2017 (Unaudited)		
	Qingdao Finance	Lianhua Pipeline	Mercuria Logistics	Qingdao Finance	Lianhua Pipeline	Mercuria Logistics
Revenue	264,474,006	184,834,415	43,781,869	236,897,777	—	34,755,230
Net profit	170,576,820	57,720,650	7,973,620	135,303,085	—	8,786,028
Total comprehensive income	179,099,837	57,720,650	7,973,620	135,303,085	—	8,786,028
Cash flows from operating activities	(2,421,852,730)	39,041,510	1,664,398	3,038,045,092	—	(6,260,617)

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 EQUITY INTEREST IN OTHER ENTITIES (Continued)

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

#### (a) General information of material joint ventures

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

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

#### (b) Summarised financial information of material joint ventures:

	30 June 2018 (Unaudited)		31 December 2017	
	Qingdao Shihua	QQCT	Qingdao Shihua	QQCT
Current assets	705,013,761	2,471,219,577	475,158,513	1,961,343,528
Including: Cash and cash equivalents	406,951,528	2,197,197,938	382,959,371	1,705,548,451
Non-current assets	2,628,683,653	10,904,263,629	2,683,118,280	10,395,613,650
Total assets	3,333,697,414	13,375,483,206	3,158,276,793	12,356,957,178
Current liabilities	(137,650,676)	(1,588,281,297)	(330,257,712)	(1,328,476,560)
Non-current liabilities	—	(3,106,066,427)	—	(3,169,254,375)
Total liabilities	(137,650,676)	(4,694,347,724)	(330,257,712)	(4,497,730,935)
Minority interests	—	463,819,641	—	453,282,764
Attributable to shareholders				
of the Company	3,196,046,738	8,217,315,841	2,828,019,081	7,405,943,479
Shares of net assets in proportion (ii)	1,598,023,369	4,006,183,078	1,414,009,541	3,583,823,050
Adjustments				
– Goodwill (iii)	—	1,672,785,426	—	1,672,785,426
– Unrealised profits arising from internal transactions	(72,583,881)	(22,800,644)	(75,292,129)	(10,426,521)
Carrying amount of investment in joint ventures	1,526,237,529	5,656,167,860	1,338,717,412	5,246,181,955

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 EQUITY INTEREST IN OTHER ENTITIES (Continued)

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

#### (b) Summarised financial information of material joint ventures (Cont'd):

	six months ended 30 June 2018 (Unaudited)		six months ended 30 June 2017 (Unaudited)	
	Qingdao Shihua	QQCT	Qingdao Shihua	QQCT
Revenue	936,663,317	1,811,901,560	767,635,624	1,670,616,451
Financial expenses	1,669,794	(62,953,849)	1,155,375	(53,138,611)
Income tax expenses	(101,888,660)	(253,121,202)	(93,615,300)	(275,500,622)
Net profit	359,241,165	853,680,428	277,366,776	829,322,742
Net profit attributable to the Company	359,241,165	842,457,435	277,366,776	821,740,861
Other comprehensive income	—	—	—	—
Total comprehensive income	359,241,165	842,457,435	277,366,776	821,740,861
Dividends received from joint ventures				
by the Group for the current period	—	—	100,000,000	375,640,234
Dividends declared by joint ventures				
in the current period	—	—	—	617,988,772

- (i) 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.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 EQUITY INTEREST IN OTHER ENTITIES (Continued)

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

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

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Joint ventures:		
Aggregated carrying amount of investments	1,752,324,675	1,677,291,516
Aggregate of the following items in proportion		
Net profit (i)	76,332,261	78,220,580
Other comprehensive income (i)	—	—
Total comprehensive income	76,332,261	78,220,580
Associates:		
Aggregated carrying amount of investments	188,080,109	153,542,474
Aggregate of the following items in proportion		
Net profit (i)	1,128,133	1,251,594
Other comprehensive income (i)	—	—
Total comprehensive income	1,128,133	1,251,594

(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 30 June 2018, the Group's management are of the view that there is no indication that the long-term equity investments may be impaired, therefore no provision for impairment is required (31 December 2017: nil).
- (f) Unrecognised commitments in relation to investments in joint ventures and associate are set out in Note 11(3).

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 9 SEGMENT INFORMATION

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

The Group identified 6 reportable segments as follows:

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 9 SEGMENT INFORMATION (Continued)

- (a) Segment information for the six months ended 30 June 2018 and as at 30 June 2018 is listed as follows(Unaudited):

	Container handling and ancillary services	Metal ores, coal and other cargo handling and ancillary services	Liquid bulk handling and ancillary services	Logistics and port value-added services	Port ancillary services	Financial services	Unallocated	Elimination	Total
Revenue from external customers	112,733,249	1,498,220,259	440,584,628	2,698,523,075	985,282,412	229,156,784	—	—	5,964,500,407
Inter-segment revenue	—	41,172,113	—	88,630,299	328,054,217	38,841,997	—	(496,698,626)	—
Cost of sales	(34,371,658)	(1,128,796,439)	(133,117,981)	(1,780,021,328)	(693,914,054)	(41,622,963)	—	—	(3,811,844,423)
Interest income	—	1,899,841	1,415,524	7,375,701	1,298,494	151,324	159,105,928	(102,276,902)	68,969,910
Interest expenses	—	(26,786,106)	(54,494,781)	(10,693,857)	(5,906,802)	—	(71,167,608)	100,774,408	(68,274,746)
Investment income from associates and joint ventures	430,709,573	26,078,744	184,613,725	38,429,541	—	175,582	—	(18,741,950)	661,265,215
Provision for credit impairment losses	(269,419)	(288,256)	755,154	(29,853,097)	15,461,803	12,170,566	25,705,000	—	23,681,751
Depreciation and amortisation	(6,153,117)	(129,674,831)	(76,480,613)	(49,225,649)	(86,710,494)	(974,336)	(10,830,962)	—	(360,050,002)
Total profit	506,300,416	269,394,581	452,964,403	859,971,444	224,000,121	231,557,810	101,792,647	(63,443,984)	2,582,537,438
Income tax expenses	—	(1,470,489)	(43,181,420)	(199,961,650)	(19,392,843)	(56,935,252)	(201,712,228)	—	(522,653,882)
Net profit	506,300,416	267,924,092	409,782,983	660,009,794	204,607,278	174,622,558	(99,919,581)	(63,443,984)	2,059,883,556
Total assets	6,345,867,692	9,046,203,838	8,156,201,406	4,631,041,752	6,356,581,484	12,666,767,572	11,261,145,655	(11,262,109,945)	47,201,699,454
Total liabilities	59,176,072	3,773,154,141	4,369,498,525	2,060,089,841	6,124,842,083	12,472,347,871	3,744,163,688	(12,631,704,840)	19,971,567,381
Non-cash expenses other than depreciation and amortisation	—	26,120,000	1,080,000	7,140,000	19,360,000	10,000	—	—	53,710,000
Long-term equity investments in associates and joint ventures	5,837,042,303	1,197,230,109	1,670,058,738	327,687,233	—	90,791,790	—	—	9,122,810,173
Additions of non-current assets (i)	—	384,352,420	919,433,374	68,789,901	196,684,172	—	2,652,298	(967,741)	1,570,944,424

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



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 9 SEGMENT INFORMATION (Continued)

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 9 SEGMENT INFORMATION (Continued)

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

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Revenue -		
Reportable segment revenue from external customers	5,964,500,407	4,990,812,840
Reclassification of interest income, from external customers of Qingdao Finance (i)	(225,632,010)	(205,785,533)
Consolidated revenue (Note 6(35))	<u>5,738,868,397</u>	<u>4,785,027,307</u>
Interest income -		
Reportable segment interest income	68,969,910	37,487,509
Reclassification of interest income, from external customers of Qingdao Finance (i)	225,632,010	205,785,533
Consolidated interest income (Note 6(37))	<u>294,601,920</u>	<u>243,273,042</u>
Cost of sales-		
Reportable segment cost of sales	3,811,844,423	3,118,745,708
Reclassification of interest expenses, from external customers of Qingdao Finance (ii)	(41,114,476)	(39,511,335)
Consolidated cost of sales (Note 6(35))	<u>3,770,729,947</u>	<u>3,079,234,373</u>
Interest expenses -		
Reportable segment interest expenses	68,274,746	60,267,388
Reclassification of interest expenses, from external customers of Qingdao Finance (ii)	41,114,476	39,511,335
Consolidated interest expenses (Note 6(37))	<u>109,389,222</u>	<u>99,778,723</u>

- (i) Reportable segment revenue from external customers includes interest income from external customers of Qingdao Finance, which is presented as financial expenses - interest income in the consolidated financial statements.
- (ii) Reportable segment 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 additions to non-current assets other than financial assets and deferred tax assets are mainly gained or located in China.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### (1) The parent company

#### (a) General information of the parent company

	Place of registration	Principal activities
Qingdao Port Group	Qingdao, China	Port operation and management
The Company's ultimate controlling party is State-Owned Assets Supervision and Administration Commission of Qingdao City.		

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

	31 December 2017	Increase in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2018 (Unaudited)
Qingdao Port Group	1,860,000,000	—	—	1,860,000,000

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

	30 June 2018 (Unaudited)		31 December 2017	
	Shareholding (%)	Voting rights (%)	Shareholding (%)	Voting rights (%)
Qingdao Port Group	58.45%	58.45%	58.45%	58.45%

### (2) Subsidiaries

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

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (3) Information of joint ventures and associates

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

Name of company	Relationship with the Group
West United	Joint venture
Qingwei Container	Joint venture
Evergreen Container	Joint venture
Orient Container	Joint venture
Haiwan Liquid Chemical	Joint venture
Ganghai Logistics	Joint venture
Shenzhouxing 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
Lianrong Logistics	Joint venture
Binzhou Port QDP International Terminal	Joint venture
Yuntai Logistics (ii)	Formerly Joint venture
Ganghua Logistics	Associate
Lianhai Logistics	Associate

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(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 Port (Group) Tongda Industrial Corporation ("Tongda Industrial")	Controlled by the same parent company
Qingdao Harbour Vocational and Technical College ("QHVT")	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 and Construction (Group) Co., Ltd. ("QDP Investment Group")	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 Port Investment Shipping Co., Ltd	Controlled by the same parent company
Qingdao Qianwan Construction Development Group Co., Ltd. ("Qianwan Construction")	Controlled by the same parent company
Qingdao Dongjiakou Railway Co., Ltd.	Controlled by the same parent company
Qingdao International Cruise Co., Ltd ("QD International Cruise")	Controlled by the same parent company
Qingdao International Cruise Port Development & Construction Co., Ltd. ("QD Cruise Port Development")	Controlled by the same parent company
Qingdao Harbour Hospital Investment and management Co., Ltd. ("Harbour Hospital")	Controlled by the same parent company

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(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 Port Fund Management Co., Ltd. ("Fund Management")	Controlled by the same parent company
Qingdao Leasing (iii)	Controlled by the same parent company
Assets Management Company ("Assets Management Company")	Controlled by the same parent company
Qingdao Port Micro Lending Co., Ltd. ("Micro Lending Company")	Controlled by the same parent company
Qingdao Port Financial Controlling Co., Ltd. ("Qingdao Financial Controlling")	Controlled by the same parent company
Qingdao Port (Shenzhen) Commercial Insurance Co., Ltd., ("QDP Commercial Insurance")	Controlled by the same parent company
Qingdao Port Public Security Bureau	Controlled by the same parent company
Qingdao Port Travel Agency (i)	Controlled by the same parent company
Qingdao Port Insurance Brokerage Co. Ltd. ("Insurance Brokerage")	Controlled by the same parent company
Qingdao Port Pilot Station Co. Ltd. ("Pilot Station")	Controlled by the same parent company
Qingdao Sheng Gang Investment Co., Ltd. ("Shenggang Investment")	Formerly Controlled by the same parent company
Qingdao Cruise Home Port China Duty Free Goods Co., Ltd.	Associate of parent company
Qingdao Cruise Home Port Development & Construction Co., Ltd. ("Home Port Development & Construction")	Associate of parent company
Qingdao Gangsheng International Logistics and Refrigeration Co., Ltd. ("Gangsheng Logistics")	Associate of parent company
QQCTN	Subsidiary of QQCT, and with same key management
QQCTU	Joint venture of QQCTN, and with same key management



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(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 Qianwan United Advanced Container Terminal Co., Ltd. ("QQCTUA")	Joint venture of QQCTN, and with same key management
Qingdao Qianwan Intelligent Container Terminal Co., Ltd. ("QQCTI")	Subsidiary of QQCTN, and with same key management
Qingdao Xi'an Xintong Logistics Co., Ltd. ("Xi'an Xintong")	Joint venture of QDOT and with same key management
Qingdao Dongjiakou Mineral Inspection Co., Ltd. ("Dongjiakou Mineral Inspection")	Joint venture of West United, and with same key management
China Qingdao Ocean Shipping Agency Co., Ltd. ("Qingdao Ocean Shipping Agency")	Joint venture of QDOT and with same key management
China Marine Bunker Qingdao Co., Ltd. ("China Marine Bunker Qingdao")	Controlled by the shareholders who have a significant impact on the Group
Qingdao Zhongran Industrial Co., Ltd.	Controlled by the shareholders who have a significant impact on the Group
China Marine Bunker YINDA Qingdao Co., Ltd.	Controlled by the shareholders who have a significant impact on the Group
Qingdao Gangwan International Logistics Co., Ltd. ("Gangwan Logistics")	Controlled by the shareholders who have a significant impact on the Group
Shanghai Pan-Asia Shipping Co., Ltd. ("Shanghai Pan-Asia Shipping")	Controlled by the shareholders who have a significant impact on the Group
Qingdao Ocean & Great Asia Logistics Co., Ltd. ("Ocean & Great Asia")	Controlled by the shareholders who have a significant impact on the Group
Qingdao Ocean & Great Asia Bonded Logistics Co., Ltd.	Controlled by the shareholders who have a significant impact on the Group

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(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 Penavico Customs Clearance Co., Ltd.	Controlled by the shareholders who have a significant impact on the Group
COSCO Shipping Qingdao International Freight Co., Ltd.	Controlled by the shareholders who have a significant impact on the Group
COSCO Shipping Logistics (Qingdao) Co., Ltd. ("COSCO Shipping Logistics")	Controlled by the shareholders who have a significant impact on the Group
COSCO Shipping Lines (Qingdao) Co., Ltd. ("COSCO Shipping Lines Qingdao")	Controlled by the shareholders who have a significant impact on the Group
China Shipping Container Lines (Qingdao) Co., Ltd.	Controlled by the shareholders who have a significant impact on the Group
Qingdao Xin Dong Fang Container Storage & Transportation Co., Ltd. ("Xin Dong Fang Container")	Controlled by the shareholders who have a significant impact on the Group
Xinxinhai Shipping Co., Ltd. ("Xinxinhai Shipping")	Controlled by the shareholders who have a significant impact on the Group
COSCO Qingdao Container Shipping Agency Co., Ltd.	Controlled by the shareholders who have a significant impact on the Group
COSCO Shipping Lines Co., Ltd. ("COSCO Shipping Lines")	Controlled by the shareholders who have a significant impact on the Group
Xi 'an COSCO Shipping International Freight Co. Ltd	Controlled by the shareholders who have a significant impact on the Group
COSCO Weizhi Container Logistics (Shanghai) Co. Ltd.	Controlled by the shareholders who have a significant impact on the Group
COSCO Shipping Logistics (Henan) Co., Ltd. ("COSCO Shipping Logistics (Henan)")	Controlled by the shareholders who have a significant impact on the Group
China Ocean Shipping Agency Co., Ltd. ("Ocean Shipping Agency")	Controlled by the shareholders who have a significant impact on the Group

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (4) Information of Other related parties (Continued)

- (i) As stated in Note 7(2)(a), Qingdao Port Travel Agency was originally subsidiary of the Company. As at 25 April 2018, the Company disposed its 94.29% equity interests of Qingdao Port Travel Agency. After the disposal, the company mentioned above was transformed into subsidiary of Qingdao Port Group, the transaction between the Group and Qingdao Port Travel Agency was related party transaction.
- (ii) As stated in Note 7(1)(a), Yantai Logistics was originally joint venture of the Company. As at 10 January 2018, QDP Logistics acquired all remaining equity interest. Yantai Logistics was transformed into 100% owned subsidiary of QDP Logistics. Before the acquisition date, the transaction between the Group and Yantai Logistics was related party transaction.
- (iii) Asset management Company and Qingdao Leasing were originally subsidiaries of the Company. In 2017, the Company disposed its 100% equity interests of Asset Management Company and Qingdao Leasing. After the disposal, the companies mentioned above were transformed into subsidiaries of Qingdao Port Group. For the six months ended 30 June 2018, the transactions between the Group and these companies were related party transactions.
- (iv) In 2017, the Company's parent company 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.

### (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.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

#### (b) Purchase of goods or services

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
QDOT	262,746,726	303,196,447
West United	69,076,156	45,952,025
China Marine Bunker Qingdao	47,003,832	59,467,154
Huaneng Qingdao	12,099,404	13,351,938
Shanghai Pan-Asia Shipping	6,763,702	603,984
Hongyu Hotel	5,992,759	4,335,581
QDP Investment Group	4,137,383	216,445
QQCTU	3,536,988	3,551,101
COSCO Shipping Logistics (Henan)	2,048,199	32,175
COSCO Shipping Lines Qingdao	1,947,814	1,846,610
QQCT	1,131,955	1,100,307
Qingdao Shihua	908,884	7,292,069
Gangwan Logistics	905,249	—
Linyi Express	815,398	164,607
Qingdao Ocean Shipping Agency	762,036	592,114
Shenhouxing Cargo Agency	755,368	5,774
Qingdao Port Group	714,972	—
Fuwai Hospital	352,824	1,119,957
China Shipping Agency	114,458	—
Others	2,934,020	1,016,728
	<b>424,748,127</b>	<b>443,845,016</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

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

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
QQCT	113,706,188	101,822,127
Dongjiakou IMC Logistics	83,128,527	27,711,650
Qingdao Ocean Shipping Agency	73,168,956	60,084,797
Qingdao Shihua	59,676,525	51,249,373
QQCTU	50,718,927	34,770,194
QDOT	39,089,916	45,843,016
Ocean & Great Asia	23,130,187	20,240,705
Shenzhouxing Cargo Agency	21,885,238	13,759,203
QQCTUA	16,997,410	15,336,143
QDP Investment Group	12,643,139	12,096,202
Evergreen Container	12,321,345	9,354,908
Qingdao Port Group	10,500,817	8,980,474
QQCTN	10,428,115	14,517,495
COSCO Shipping Lines	7,449,852	9,227,442
COSCO Shipping Lines Qingdao	7,256,145	3,234,764
Orient Container	6,492,710	4,772,734
Lianhai Logistics	6,400,231	—
West United	6,101,423	2,793,112
Binzhou Port QDP International Terminal	5,925,230	5,016,454
Shanghai Pan-Asia Shipping	4,745,375	5,151,785
Lianrong Logistics	4,006,714	3,045,375
QHVTC	3,540,469	95,275
Ganghua Logistics	2,732,249	3,034,158
COSCO Shipping Logistics	2,126,420	346,634

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

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

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Ganghai Logistics	2,042,345	1,754,961
Xinxinhai Shipping	1,672,420	1,540,115
China Marine Bunker Qingdao	871,237	479,137
Assets Management Company	730,939	—
Micro Lending Company	677,755	283,281
Haiwan Liquid Chemical	639,637	470,755
Qingdao Leasing	624,242	—
QD International Cruise	573,190	15,043
QDP Investment Real Estate	566,973	2,302
QD Cruise Port Development	200,965	2,057,861
United Shipping Agency	120,008	92,067
Yuntai Logistics	—	217,432
Others	2,902,921	3,055,496
	<b>595,794,740</b>	<b>462,452,470</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

#### (d) Provision of construction services

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
QDOT	71,117,659	—
QQCTN	67,768,505	106,861,789
Qingdao Port Group	18,847,022	11,292,007
QDP Investment Group	18,311,977	58,068,673
Qingdao Shihua	5,585,277	841,844
QQCT	4,819,311	2,676,406
West United	4,229,836	7,456,220
QD Cruise Port Development	3,000,361	—
Huaneng Qingdao	2,564,515	—
QQCTU	1,728,153	6,067,174
Fuwai Hospital	1,452,394	524
QQCTUA	1,415,779	—
Evergreen Container	1,217,940	—
Haiwan Liquid Chemical	207,464	3,280,712
QHVTC	—	11,305,948
QDP Investment Real Estate	—	16,780,772
Others	368,429	45,778
	<b>202,634,622</b>	<b>224,677,847</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

#### (e) Sales of port machinery and other machineries (Continued)

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
QQCT	66,189,464	19,974,021
QDP Investment Group	62,365,855	294,872
QQCTN	18,548,419	47,562,458
QDOT	7,252,934	32,791,534
West United	5,024,446	—
QQCTU	1,727,114	—
Others	603,900	522,547
	<b>161,712,132</b>	<b>101,145,432</b>

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

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
QDOT	67,550,973	58,263,664
QQCT	53,527,454	59,458,543
QQCTN	17,178,114	519,106
West United	6,678,457	5,993,101
QQCTUA	5,487,214	6,475,843
Qingdao Shihua	4,470,504	4,280,130
QQCTU	3,758,875	3,467,024
QD International Cruise	2,131,607	72,912
Evergreen Container	2,096,393	1,966,986
Shenzhouxing Cargo Agency	2,036,545	231,784
QDP Investment Group	1,259,265	616,466
Orient Container	1,044,486	1,071,788
Haiwan Liquid Chemical	817,300	793,808
Huaneng Qingdao	603,331	810,200
Lianrong Logistics	596,620	111,341
QD Cruise Port Development	16,970	1,320,352
Others	2,280,136	1,695,410
	<b>171,534,244</b>	<b>147,148,458</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

#### (g) Rental income

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Qingdao Shihua	220,228,840	159,402,900
QQCT	114,147,961	114,541,092
QQCTU	4,995,656	605,180
Evergreen Container	4,736,201	17,143
Lianhai Logistics	2,660,374	—
Orient Container	3,615,238	2,841,102
Binzhou Port QDP International Terminal	2,520,928	2,136,652
Lianrong Logistics	2,037,133	1,653,349
QQCTN	1,906,723	1,382,547
West United	1,801,773	245,714
QDOT	4,536,632	16,045,201
Ocean & Great Asia	—	2,887,188
Others	1,489,414	533,508
	<b>364,676,873</b>	<b>302,291,576</b>

#### (h) Payment for operating lease rentals

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Qingdao Port Group	38,975,858	38,139,253
West United	5,347,835	1,730,212
QDP Investment	4,807,760	2,138,009
QQCTN	4,770,541	—
QQCTU	2,125,788	2,228,938
Others	1,664,099	1,256,915
	<b>57,691,881</b>	<b>45,493,327</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(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 on behalf by related parties

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Qingdao Shihua	65,451,983	55,353,147
QQCT	38,194,215	41,511,747
QQCTU	12,803,967	14,755,408
QQCTN	5,737,394	362,813
QDOT	4,052,216	3,707,594
West United	2,969,006	2,951,149
QQCTUA	2,518,676	2,978,432
	<b>131,727,457</b>	<b>121,620,290</b>

#### (j) Loans provided to and received from related parties

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Finance lease and loans received—		
Qingdao Leasing	85,349,800	—
QDP Commercial Insurance	94,505,000	—
	<b>179,854,800</b>	<b>—</b>
Loans Provided—		
Qingdao Leasing	941,033,400	—
QQCTN	826,000,000	—
QDOT	742,330,429	122,970,868
Haiwan Liquid Chemical	103,979,075	46,509,525
West United	29,000,000	46,000,000
Fuwai Hospital	27,000,000	159,000,000
Yuntai Logistics	—	60,000,000
QQCT	—	30,362,342
	<b>2,669,342,904</b>	<b>464,842,735</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

#### (k) Interests income of loans and financial leasing business

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
QQCTN	31,140,296	20,277,020
QQCTU	28,982,429	33,490,861
QDOT	23,536,474	19,520,046
QQCT	12,266,103	241,274
Qingdao Leasing	11,291,798	—
Fuwai Hospital	4,540,576	2,025,377
Haiwan Liquid Chemical	4,269,071	2,114,730
West United	2,027,044	4,907,719
Qingwei Container	1,765,504	3,108,848
Yuntai Logistics	—	1,219,886
Others	170,991	862,292
	<b>119,990,286</b>	<b>87,768,053</b>

#### (l) Interest payments on deposits and funds borrowed

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Qingdao Port Group	22,077,081	25,286,529
Qingdao Leasing	11,285,978	—
QQCT	8,905,677	5,243,555
Qingdao Financial Controlling	1,940,299	177,898
Qingdao Shihua	1,578,257	1,126,571
QQCTI	1,180,129	1,176,985
QDP Commercial Insurance	1,053,429	—
QQCTN	800,674	1,087,258
Fuwai Hospital	633,930	568,626
QQCTU	579,228	670,325
QD Cruise Port Development	480,476	488,918
Ganghai Logistics	294,629	167,904
QDP Investment Group	223,074	402,814
Dongjiakou IMC Logistics	35,484	1,173,996
Others	1,733,197	1,762,264
	<b>52,801,542</b>	<b>39,333,643</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

#### (m) Acquisition of assets

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Qingdao Port Group	—	305,289,966
QDP Investment	—	156,370,500
QQCT	—	18,080,920
	<u>—</u>	<u>479,741,386</u>

#### (n) Key management remuneration

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Key management remuneration	<u>5,072,007</u>	<u>1,848,768</u>

#### (o) Entrusted construction projects for related parties

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Amount paid on behalf -		
Qingdao Port Group	—	21,267,286
Qingdao Shihua	—	13,030,471
QQCTN	—	9,757,126
	<u>—</u>	<u>44,054,883</u>
Amount received -		
Qingdao Port Group	—	31,033,380
Qingdao Shihua	—	19,397,446
QQCTN	—	12,372,582
	<u>—</u>	<u>42,307,444</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

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

	Six months ended 30 June 2018	Six months ended 30 June 2017
Collected on behalf of related parties -		
QQCT	264,498,098	289,711,395
QQCTU	114,936,759	108,215,429
QQCTN	18,990,605	—
QQCTUA	15,868,504	20,801,921
	<b>414,293,966</b>	<b>418,728,745</b>
Reimbursed to related parties -		
QQCT	270,333,176	275,301,823
QQCTU	115,568,867	104,325,915
QQCTN	20,018,757	—
QQCTUA	15,851,335	20,595,339
	<b>421,772,135</b>	<b>400,223,077</b>

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

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

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

For the six months ended 30 June 2018, the Group had paid the early retirement and supplemental retirement benefits of RMB 233,858 on behalf of Qingdao Port Group (for the six months ended 30 June 2017: RMB 884,763).

The Group will continue to manage and settle the payment on behalf of Qingdao Port Group from 1 July 2018. The current portion of this liability is presented in other payables while the remaining parts in long-term payables (Note 6(26)).

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

- (r) For the six months ended 30 June 2018, the supplier of agent purchasing business of International Trade Logistics, a subsidiary of the Company, applied for factoring financing of RMB 190,541,000 with recourse from QDP Commercial Insurance, a related party of the Company, using its receivables from International Trade Logistics (For the six months ended 30 June 2017, nil). According to the business arrangement, after the factoring financing business matured, International Trade Logistics pay the above factoring financing principal and relevant interest directly to QDP Commercial Insurance. As at 30 June 2018, factoring financing principal and relevant interest of RMB 144,171,038 are not matured (As at 31 December 2017: nil)

(s) **Other amount collected and paid on behalf**

The Company's subsidiary, Qingdao Finance, issue the notes on behalf of the related parties refer to Note11(4).

(t) **Guarantee**

Qingdao Shihua, the Company's joint venture, signed a contract with Shanghai international energy trading center Co., Ltd. of dealing with crude oil futures trading business and designated to be the delivery warehouses by Shanghai international energy trading center on 13 February 2018. The Company take irrevocable joint and several warrant liability for Qingdao Shihua's responsibility arise from business related to warehousing, storage, outbound, delivery of crude oil futures. The guarantee period is two years from the commence date of Qingdao Shihua's responsibility. As of 30 June 2018, no relevant business transaction has taken place in Qingdao Shihua.

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

(a) **Notes receivable and accounts receivable**

**Notes receivable-**

	30 June 2018 (Unaudited)		31 December 2017	
	Amount	Provision for bad debts	Amount	Provision for bad debts
West United	32,000,000	(1,600,000)	35,520,000	—
Fuwai Hospital	5,443,479	(272,174)	6,000,000	—
Yuntai Logistics	—	—	4,610,000	—
	<u>37,443,479</u>	<u>(1,872,174)</u>	<u>46,130,000</u>	<u>—</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

#### (a) Notes receivable and accounts receivable (Continued)

##### Accounts receivable-

	30 June 2018 (Unaudited)		31 December 2017	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QDOT	202,827,197	(11,282,111)	164,635,761	(8,494,253)
QQCTN	144,049,626	(7,202,481)	467,883,993	(23,394,200)
QDP Investment Group	125,816,191	(7,747,613)	41,359,511	(2,067,976)
Qingdao Port Group	109,264,243	(5,463,212)	125,094,761	(6,323,428)
West United	54,605,318	(2,800,266)	42,053,928	(2,127,696)
QQCTU	44,318,780	(2,218,239)	40,293,409	(2,132,610)
QQCT	35,145,039	(1,757,252)	35,396,802	(1,778,878)
Dongjiakou IMC Logistics	24,516,473	(1,225,824)	8,122,909	(406,145)
Qingdao Shihua	20,196,167	(1,009,808)	11,188,777	(559,439)
Haiwan Liquid Chemical	18,594,049	(929,702)	14,233,498	(711,675)
QDP Investment Real Estate	11,597,856	(1,052,832)	11,387,186	(1,052,908)
Fuwai Hospital	9,816,300	(490,815)	18,288,627	(914,431)
Shenzhouxing Cargo Agency	7,335,568	(366,778)	7,045,519	(352,276)
QHVTC	6,332,780	(316,639)	—	—
Ocean & Great Asia	5,866,241	(293,312)	5,009,010	(250,451)
QQCTUA	4,925,399	(246,270)	3,993,738	(202,312)
Lianhai Logistics	4,544,809	(227,240)	—	—
Ganghai Logistics	4,065,725	(203,286)	466,177	(23,309)
Huaneng Qingdao	3,575,220	(178,761)	2,325	(116)
COSCO Shipping Lines Qingdao	3,333,519	(167,676)	992,497	(49,625)
Orient Container	2,391,011	(119,551)	2,883,559	(144,178)
Shanghai Pan-Asia Shipping	1,960,588	(98,029)	2,045,001	(102,249)
Evergreen Container	1,860,899	(93,045)	3,200,000	(160,000)
Lianrong Logistics	1,456,055	(72,803)	1,460,489	(73,024)
Qingdao Ocean Shipping Agency	1,425,276	(71,264)	316,688	(15,834)
QD International Cruise	512,507	(25,625)	1,934,070	(96,703)
COSCO Shipping Lines	114,106	(5,705)	1,485,195	(74,260)
Others	2,338,722	(116,936)	1,720,691	(86,035)
	<b>852,785,664</b>	<b>(45,783,075)</b>	<b>1,012,494,121</b>	<b>(51,594,011)</b>
	<b>890,229,143</b>	<b>(47,655,249)</b>	<b>1,058,624,121</b>	<b>(51,594,011)</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

#### (b) Other receivables

##### Interest receivables-

	30 June 2018 (Unaudited)	31 December 2017
QQCTN	2,053,569	1,360,604
Qingdao Leasing	1,653,367	339,088
QQCT	292,917	1,306,250
Fuwai Hospital	262,201	284,845
QQCTU	166,354	2,262,597
QDOT	—	1,079,388
Others	—	625,419
	<b>4,428,408</b>	<b>7,258,191</b>

##### Dividends receivable-

	30 June 2018 (Unaudited)	31 December 2017
Qingwei Container	5,237,520	—

##### Loans provided -

	30 June 2018 (Unaudited)		31 December 2017	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Qingdao Leasing	217,500,000	(5,437,500)	—	—
QQCTN	88,000,000	(2,200,000)	—	—
Fuwai Hospital	71,000,000	(1,775,000)	69,000,000	(1,725,000)
QDOT	25,168,393	(252,700)	147,472,878	(2,380,732)
QQCTU	—	—	110,000,000	(2,250,000)
Huaneng Qingdao	—	—	60,000,000	(1,500,000)
Yantai Logistics	—	—	60,000,000	(1,500,000)
West United	—	—	46,000,000	(1,150,000)
	<b>401,668,393</b>	<b>(9,665,200)</b>	<b>492,472,878</b>	<b>(10,505,732)</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

#### (b) Other receivables (Continued)

##### Others-

	30 June 2018 (Unaudited)		31 December 2017	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QQCTU	9,072,133	(455,107)	7,000,243	(355,825)
West United	8,628,883	(431,444)	8,242,308	(412,115)
Dongjiakou IMC Logistics	7,155,129	(357,756)	2,606,329	(130,316)
QDOT	6,568,140	(328,407)	226,003,198	(11,300,160)
QQCT	5,227,607	(261,380)	260,980	(13,049)
QD International Cruise	3,218,269	(160,913)	—	—
Xin Dong Fang Container	3,097,126	(256,062)	3,097,126	(154,856)
Qingdao Shihua	2,337,689	(116,884)	2,010,923	(100,546)
QQCTN	2,208,858	(110,443)	468,416	(23,421)
QHVTC	1,196,627	(59,831)	1,345,350	(67,268)
QDP Investment Group	1,141,145	(59,557)	689,679	(37,976)
Evergreen Container	892,314	(44,616)	362,500	(18,125)
Binzhou Port QDP				
International Terminal	792,143	(39,607)	1,971,652	(98,583)
Qingdao Ocean Shipping Agency	723,150	(36,158)	493,300	(24,665)
Orient Container	693,744	(34,687)	1,139,671	(56,984)
Fuwai Hospital	671,351	(67,315)	728,438	(36,422)
Ganghai Logistics	597,927	(29,896)	4,917	(246)
Shenzhouxing Cargo Agency	590,680	(29,534)	399,241	(19,962)
Huaneng Qingdao	116,567	(5,828)	—	—
Others	3,442,406	(172,122)	1,161,309	(58,066)
	<b>58,371,888</b>	<b>(3,057,547)</b>	<b>257,985,580</b>	<b>(12,908,585)</b>
	<b>469,706,209</b>	<b>(12,722,747)</b>	<b>757,716,649</b>	<b>(23,414,317)</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

#### (c) Advances to suppliers

	30 June 2018 (Unaudited)	31 December 2017
QQCTU	2,609,524	3,131,429
West United	2,431,739	2,000,000
COSCO Shipping Lines Qingdao	1,728,513	756,055
Qingdao Port Group	1,531,213	—
Qingdao Shihua	1,238,153	—
QQCT	884,001	969,635
Shanghai Pan-Asia Shipping	—	5,088,091
Others	291,678	553,057
	<b>10,714,821</b>	<b>12,498,267</b>

#### (d) Current portion of non-current assets

	30 June 2018 (Unaudited)		31 December 2017	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QQCTN	444,400,000	(11,110,000)	204,450,000	(5,111,250)
Qingdao Leasing	125,695,120	(3,142,378)	24,718,620	(617,966)
Fuwai Hospital	700,000	(17,500)	500,000	(12,500)
QQCTU	—	—	50,000,000	(1,250,000)
Qingwei Container	—	—	20,000,000	(400,000)
Yuntai Logistics	—	—	16,500,000	(412,500)
Haiwan Liquid Chemical	—	—	5,744,208	(143,605)
QDOT	—	—	3,000,000	(75,000)
West United	—	—	2,000,000	(50,000)
	<b>570,795,120</b>	<b>(14,269,878)</b>	<b>326,912,828</b>	<b>(8,072,821)</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

#### (e) Long-term receivables

	30 June 2018 (Unaudited)		31 December 2017	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QQCTN	987,400,000	(24,685,000)	693,000,000	(17,325,000)
Qingdao Leasing	965,545,504	(24,138,637)	358,411,356	(8,960,284)
QQCT	222,000,000	(2,220,000)	900,000,000	(9,000,000)
Fuwai Hospital	133,000,000	(3,325,000)	133,400,000	(3,335,000)
QQCTU	—	—	1,415,000,000	(35,375,000)
QDOT	—	—	715,000,000	(17,875,000)
Haiwan Liquid Chemical	—	—	124,090,000	(3,102,250)
Qingwei Container	—	—	85,000,000	(1,700,000)
West United	—	—	67,000,000	(1,675,000)
	<u>2,307,945,504</u>	<u>(54,368,637)</u>	<u>4,490,901,356</u>	<u>(98,347,534)</u>

#### (f) Short-term borrowings

	30 June 2018 (Unaudited)	31 December 2017
QDP Commercial Insurance	<u>—</u>	<u>7,980,000</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

#### (g) Notes payable and accounts payable

##### Notes payable-

	30 June 2018 (Unaudited)	31 December 2017
QDOT	6,000,000	13,000,000

##### Accounts payable-

	30 June 2018 (Unaudited)	31 December 2017
QDOT	133,958,843	155,727,086
QDP Investment Group	7,562,470	1,161,323
West United	5,634,288	2,546,408
Qingdao Port Group	3,582,255	25,487
Evergreen Container	2,192,184	344,130
QQCTU	1,681,561	1,737,619
Ocean & Great Asia	1,549,392	540,336
Xi'an Xintong	1,434,029	960,000
COSCO Shipping Lines Qingdao	823,070	—
Gangwan Logistics	708,649	—
QDP Investment Real Estate	576,000	—
Huaneng Qingdao	407,268	5,607,864
China Marine Bunker Qingdao	—	2,677,500
Others	2,241,856	1,089,432
	162,351,865	172,417,185

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

#### (h) Advances from customers

	30 June 2018 (Unaudited)	31 December 2017
QQCT	212,443,585	197,421,375
Qingdao Shihua	47,110,000	2,758,994
Orient Container	3,796,000	721,067
QQCTN	2,882,744	3,767,260
Lianrong Logistics	1,736,017	84,040
QQCTU	1,210,360	1,315,360
Ganghua Logistics	—	3,747,711
Qingdao Port Group	—	2,345,044
Others	407,228	1,638,569
	<b>269,585,934</b>	<b>213,799,420</b>

#### (i) Contract Liabilities

	30 June 2018 (Unaudited)	31 December 2017
COSCO Shipping Logistics (Henan)	3,646,622	—
Qingdao Port Group	1,740,682	—
Orient Container	875,843	—
Shenzhouxing Cargo Agency	849,513	—
COSCO Shipping Lines Qingdao	846,169	—
Gangwan Logistics	695,791	—
Evergreen Container	561,189	—
Ocean & Great Asia	393,821	—
Others	1,671,953	—
	<b>11,281,583</b>	<b>—</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

#### (j) Other payables

##### Other payables-

	30 June 2018 (Unaudited)	31 December 2017
Customer deposits -		
QQCT	1,813,566,522	860,227,540
Qingdao Port Group	1,162,083,393	4,490,188,308
Qingdao Financial Controlling	447,745,977	766,558,934
Qingdao Shihua	406,948,023	382,959,371
QQCTI	173,700,019	176,365,357
QQCTU	165,552,079	147,983,955
Fuwai Hospital	83,722,190	83,122,218
QD Cruise Port Development	57,861,788	59,639,793
QHVTC	49,015,700	48,865,706
QQCTUA	47,181,562	26,501,479
West United	40,797,662	47,862,018
QDOT	39,323,462	22,502,834
Ganghai Logistics	38,587,972	54,878,212
Dongjiakou IMC Logistics	34,864,392	71,181,977
Lianhai Logistics	27,408,081	—
Dongjiakou Sinotrans Logistics	26,459,750	724,118
Ganghua Logistics	25,902,932	26,988,951
QDP Commercial Insurance	19,808,092	10,745,202
QDP Investment Real Estate	18,025,831	32,415,334
Evergreen Container	17,686,187	12,897,195
Orient Container	17,000,003	17,097,029
Qingdao Leasing	15,772,844	58,617,263
Lianrong Logistics	13,635,636	18,969,324
QQCTN	12,681,450	608,560,417
Assets Management Company	11,126,128	41,911,082
Dongjiakou Mineral Inspection	6,708,740	1,879,691
QDP Investment Group	5,926,152	77,795,529
Haiwan Liquid Chemical	5,816,134	2,388,238

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

#### (j) Other payables (Continued)

##### Customer deposits -

	30 June 2018 (Unaudited)	31 December 2017
QD International Cruise	5,030,857	10,014,705
Hongyu Hotel	3,888,139	1,727,608
Harbour Hospital	3,591,254	3,596,085
Qingdao Port Public Security Bureau	3,324,777	1,116,547
Insurance Brokerage	3,114,705	—
Qingdao Port Travel Agency	1,693,938	—
Tongda Industrial	1,551,705	1,572,912
Fund Management	1,243,773	1,606,722
Binzhou Port QDP International Terminal	1,015,876	1,015,848
Qianwan Construction	—	20,731,148
Yuntai Logistics	—	18,231,092
Gangsheng Logistics	—	15,525,615
Others	897,387	618,906
	<b>4,810,261,112</b>	<b>8,225,584,263</b>

##### Others -

	30 June 2018 (Unaudited)	30 December 2017
QDP Investment Group	50,323,600	104,707,542
QQCTN	35,619,490	31,601,434
QQCT	18,339,107	24,086,715
Pilot Station	9,104,673	—
QQCTU	5,055,897	5,973,114
Qingdao Shihua	659,240	178,968
QQCTUA	617,605	562,528
Ocean & Great Asia	326,359	2,319,512
QDP Investment Real Estate	179,886	1,112,948
Others	2,538,490	2,579,626
	<b>122,764,347</b>	<b>173,122,387</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

#### (j) Other payables (Continued)

##### Interests payable-

	30 June 2018 (Unaudited)	30 December 2017
QQCT	14,981,824	7,655,009
QQCTI	3,941,312	2,783,716
Fuwai Hospital	792,278	343,133
Qingdao Shihua	659,706	2,059,749
QD Cruise Port Development	547,749	333,382
Qingdao Port Group	353,054	12,702,683
QQCTN	49,840	2,169,661
Others	1,120,226	1,680,694
	<u>22,445,989</u>	<u>29,728,027</u>

##### Dividends Payable-

	30 June 2018 (Unaudited)	30 December 2017
Ocean Shipping Agency	25,822,509	—
	<u>4,981,293,957</u>	<u>8,428,434,677</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)  
(All amounts in RMB Yuan unless otherwise stated)

## 10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

#### (k) Other non-current liabilities

	30 June 2018 (Unaudited)	30 December 2017
QQCT	2,914,482,872	3,013,193,560
QQCTN	51,638,270	52,897,740
QQCTU	15,532,953	16,138,133
	<u>2,981,654,095</u>	<u>3,082,229,433</u>

#### (l) Current portion of non-current liabilities

	30 June 2018 (Unaudited)	30 December 2017
Qingdao Leasing	<u>59,964,596</u>	<u>11,262,064</u>

#### (m) Long-term payables

	30 June 2018 (Unaudited)	30 December 2017
Qingdao Leasing	<u>561,799,305</u>	<u>528,982,387</u>

### (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:

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (7) Commitments in relation to related parties (Continued)

#### Leases – Lessee

	30 June 2018 (Unaudited)	30 December 2017
Qingdao Port Group	37,842,000	—
West United	6,122,268	—
QDP Investment Group	2,400,000	3,600,000
QQCTU	1,651,200	—
	<u>48,015,468</u>	<u>3,600,000</u>

#### Leases - Lessor

	30 June 2018 (Unaudited)	30 December 2017
QQCT	388,185,000	415,445,000
Qingdao Shihua	167,650,000	—
QDOT	10,494,000	—
Evergreen Container	6,224,833	36,000
Binzhou Port QDP International Terminal	5,580,000	6,498,000
QQCTU	4,610,000	—
Orient Container	3,796,000	—
West United	2,407,861	—
Lianrong Logistics	1,736,017	—
QQCTUA	915,000	—
QQCTN	615,000	—
Pilot Station	403,912	—
Micro Lending Company	303,750	—
Qingdao Financial Controlling	252,500	—
	<u>593,173,873</u>	<u>421,979,000</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (8) Off-balance sheet activities

As entrusted by related parties, the Company's subsidiary, Qingdao Finance, offers entrusted loans to other designated related parties. For the six months ended 30 June 2018, principal of new entrusted loan business offered by Qingdao Finance amounts to RMB 3,007,245,000 (For the six months ended 30 June 2018: RMB 9,000,000). As at 30 June 2018, entrusted loans amounted to RMB 4,298,843,470 (31 December 2017: RMB 1,509,343,470). Maturity of entrusted loans aforesaid ranged from 1 year to 10 years. If the principal and interest of entrusted loans cannot be recovered, the risk is borne by the entrusted loan fund provider rather than Qingdao Finance. Entrusted loans aforesaid are classified into off-balance sheet items. Therefore, related balances of receivable and payable are not recognised in the consolidated financial statements. Management are of the view that the entrusted loans arrangement aforesaid will not expose the Group to any significant credit risk.

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

## 11 COMMITMENTS

### (1) Capital commitments

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

	<b>30 June 2018</b> <b>(Unaudited)</b>	31 December 2017
Terminal facilities and others	<b>415,591,901</b>	448,531,524

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 11 COMMITMENTS (Continued)

### (2) Operating lease commitments

#### (a) Operating lease commitments as lessee

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

	30 June 2018 (Unaudited)	31 December 2017
Within 1 year	56,153,385	8,202,452
1 to 2 years	8,044,827	7,944,802
2 to 3 years	6,822,327	7,936,402
Over 3 years	567,902	7,245,469
	<u>71,588,441</u>	<u>31,329,125</u>

#### (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:

	30 June 2018 (Unaudited)	31 December 2017
Within 1 year	243,770,527	35,831,571
1 to 2 years	37,534,073	31,552,000
2 to 3 years	32,292,000	29,699,000
Over 3 years	333,029,083	329,015,000
	<u>646,625,683</u>	<u>426,097,571</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 11 COMMITMENTS (Continued)

### (3) Investment commitments

In accordance with the joint investment agreement signed between the Group and Binzhou Port Group Co., Ltd. dated December 2014, the Group is committed to make an investment of RMB25,000,000 in the joint venture, Binzhou Port QDP International Terminal. As at 30 June 2018, 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 make an investment of EUR 1,745,370 to acquire 16.5% equity interest of Vado Investment from APM Terminals B.V., and make an investment of EUR 14,077,800 in Vado Investment at equal proportion, with EUR 15,823,170 in total. As at 30 June 2018, the unpaid amount is EUR 5,692,870.

### (4) Credit commitments

As at 30 June 2018, 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 70,741,735 in total (31 December 2017: RMB 51,069,519). Qingdao Finance collected some guarantee from the applicant at certain proportion of the amount issued, and will pay to the third party directly when the notes fall due.

Besides, the Group entered into construction contracts of port facilities with certain related parties. Some related parties requested the Group to issue letter of guarantee to insure that the construction project will be completed in time with required quality as set out in the contract. As at 30 June 2018, Qingdao Finance issued letter of guarantee with the amount of approximately RMB 69,398,000 (31 December 2017: RMB 12,538,000) for the purpose aforesaid.

## 12 LEASING

The future lease payments of fixed assets held under finance leases (Note 6(13)) are as follows:

	30 June 2018	31 December 2017
Within 1 year	87,190,153	39,200,878
1 to 2 years	101,365,982	82,948,243
2 to 3 years	139,073,565	123,857,878
Over 3 years	388,593,734	386,507,280
	<b>716,223,434</b>	<b>632,514,279</b>

As at 30 June 2018, the unrecognised financing charge amounted to RMB 91,281,121 (31 December 2017: RMB 88,062,144).

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 13 FINANCIAL INSTRUMENTS AND ASSOCIATED 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 financial risks and the risk management policies adopted by the Group to reduce the risks are as follows:

The Board of Directors is responsible for planning and establishing the risk management structure of the Group, formulating the Group's risk management policies and relevant guidelines and monitoring the implementation of risk management measures. The Group has formulated risk management policies to identify and analyse the risks the Group exposes to. Specific risks are explicitly stipulated by these risk management policies, covering management of market risk, credit risk and liquidity risk, etc. The Group assesses market environment and changes of operating activities of the Group periodically to determine whether updates are needed for risk management policies and systems. Risk management of the Group is carried out by the Management according to the approval of the Board of Directors. Management identifies, evaluates and mitigates relevant risks through close cooperation with other business departments of the Group. The Group's audit department periodically reviews the risk management controls and procedures, and reports the results to the Group's Audit Committee.

### (1) Market risk

#### (a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. Foreign exchange risk arises from transactions denominated in foreign exchange (Foreign currency assets and liabilities and foreign currency transactions are mainly denominated in USD).

The finance department of the Group is responsible for monitoring the scale of foreign currency transactions and foreign currency assets and liabilities to minimize foreign exchange risks. For this reason, the Group may try to avoid foreign exchange risks by signing forward foreign exchange contracts or currency swap contracts.



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

### (1) Market risk (Continued)

#### (a) Foreign exchange risk (Continued)

As at 30 June 2018 and 31 December 2017, the carrying amounts in RMB equivalent of the Group's financial assets and financial liabilities denominated in foreign currencies are summarised below:

	30 June 2018 (Unaudited)			
	USD	HKD	Others	Total
Financial assets denominated in foreign currency -				
Cash at bank and on hand	1,072,257,176	4,277,161	197,140	1,076,731,477
Notes receivable and accounts receivable	40,148,779	—	122,033	40,270,812
Other receivables	22,073,771	11,083	—	22,084,854
	<u>1,134,479,726</u>	<u>4,288,244</u>	<u>319,173</u>	<u>1,139,087,143</u>
Financial liabilities denominated in foreign currency -				
Notes payable and accounts payable	(32,978,869)	(280,005)	(7,429)	(33,266,303)
Other payables	(90,526)	—	—	(90,526)
Short-term borrowings	(9,001,453)	—	—	(9,001,453)
Long-term borrowings	—	—	(78,515,630)	(78,515,630)
	<u>(42,070,848)</u>	<u>(280,005)</u>	<u>(78,523,059)</u>	<u>(120,873,912)</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

### (1) Market risk (Continued)

#### (a) Foreign exchange risk (Continued)

	31 December 2017			
	USD	HKD	Others	Total
Financial assets denominated in foreign currency -				
Cash at bank and on hand	530,674,995	438,760,373	1,154,689	970,590,057
Notes receivable and accounts receivable	30,830,009	—	174,037	31,004,046
Other receivables	10,630,548	—	—	10,630,548
	<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 -				
Notes payable and accounts payable	(18,846,480)	—	(49,939)	(18,896,419)
Other payables	(1,058,531)	—	—	(1,058,531)
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>

As at 30 June 2018, 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 period would have been approximately RMB 32,772,000 (31 December 2017: approximately RMB 16,567,000) lower/higher for various financial assets and liabilities denominated in USD, which would have no effect on other comprehensive income.

As at 30 June 2018, 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 period would have been approximately RMB120,000 (31 December 2017: approximately RMB 13,163,000) lower/higher for various financial assets denominated in HKD, which would have no effect on other comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

### (1) Market risk (Continued)

#### (b) Interest rate risk

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

As at 30 June 2018, the Group's interest bearing liabilities included customer deposits at Qingdao Finance of RMB 4,810,261,112 (Note 6(23)), among which RMB 4,526,062,878 was subject to floating interest rate and the remaining are subject to fixed interest rate; bonds payable of RMB 3,500,000,000 (Note 6(25)) was subject to fixed interest rate; and bank borrowings of RMB 260,323,138, among which RMB 126,390,687 was subject to floating rates and the remaining are subject to fixed interest rate.

As at 30 June 2018, the Group's interest bearing assets included cash at bank and on hand of RMB 7,244,730,236 (Note 6(1)), among which RMB 2,922,046,546 was subject to floating interest rate and the remaining are subject to fixed interest rate; and loans provided to related parties and third parties of RMB 3,280,409,017 (Note 6(4)(a), Note 6(9)), among which RMB 2,878,740,624 was subject to floating rates and the remaining are subject to fixed interest rate.

The Group's head office finance department continuously monitors the interest rate position of the Group. Increases in interest rates will increase the revenue of new interest bearing assets and the interest income with respect to the Group's outstanding floating rate interest bearing assets, and will increase the cost of new liability and the interest expenses with respect to the Group's outstanding floating rate liability, and therefore could have a certain effect on the Group's financial position. The Group makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. For the period ended 30 June 2018 and the period ended 30 June 2017, the Group did not enter into any interest rate swap agreements.

As at 30 June 2018, 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 474,000 (31 December 2017: approximately RMB 497,000).

As at 30 June 2018, if interest rates on cash at bank and on hand and customer deposits at Qingdao Finance subject to the floating rate borrowings for the period ended 30 June 2018 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 4,850,000 (31 December 2017: RMB 7,345,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

### (2) Credit risk

The Group's credit risk mainly arises from monetary funds, notes receivable and accounts receivable, other receivables, contract assets, debt investment, other debt investments and financial guarantee contract, etc., as well as debt instrument investment measured at fair value and whose changes are recorded into current profits and losses, etc. On the balance sheet date, the book value of the Group's financial assets has represented its maximum credit risk exposure; As stated in Note 10(5)(t), the Company bear irrevocable joint and several warrant liabilities for all the responsibilities of the relevant business of crude oil futures trading pool carried out by Qingdao shihua. For the six months ended 30 June 2018, there have been no such business transactions in Qingdao shihua.

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 notes receivable and accounts receivable, other receivables and contract assets. 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.

As at 30 June 2018, the Group has no significant collateral or other credit enhancement as collateral.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

### (3) Liquidity risk

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

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

	30 June 2018 (Unaudited)				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	58,926,414	—	—	—	58,926,414
Notes payable and accounts payable	2,278,387,172	—	—	—	2,278,387,172
Other payables	6,801,756,365	—	—	—	6,801,756,365
Current portion of long-term liabilities	88,641,769	—	—	—	88,641,769
Long-term borrowings	6,246,433	34,677,495	156,630,753	—	197,554,681
Bonds payable	105,300,000	105,300,000	3,605,300,000	—	3,815,900,000
Long-term payables	—	79,194,712	481,039,769	66,322,468	626,556,949
	<u>9,339,258,153</u>	<u>219,172,207</u>	<u>4,242,970,522</u>	<u>66,322,468</u>	<u>13,867,723,350</u>

	31 December 2017				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	57,035,157	—	—	—	57,035,157
Notes payable and accounts payable	2,399,789,522	—	—	—	2,399,789,522
Other payables	9,923,698,355	—	—	—	9,923,698,355
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
Bonds payable	105,300,000	105,300,000	3,710,600,000	—	3,921,200,000
Long-term payables	—	68,338,868	477,531,053	52,872,704	598,742,625
	<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>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

### (3) Liquidity risk (Continued)

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

	30 June 2018 (Unaudited)		31 December 2017	
	Bank borrowings	Bonds payable	Bank borrowings	Bonds payable
Within 1 year	84,150,150	—	81,535,445	—
1 to 2 years	28,380,000	—	27,380,000	—
2 to 5 years	147,792,988	3,500,000,000	150,792,988	3,500,000,000
Over 5 years	—	—	10,000,000	—
	<b>260,323,138</b>	<b>3,500,000,000</b>	<b>269,708,433</b>	<b>3,500,000,000</b>

## 14 FAIR VALUE ESTIMATES

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

As at 30 June 2018, the Group's monetary fund in financial assets held for trading of RMB 271,520,006 (Note 6 (2)) and interbank deposit certificates of RMB 1,999,980,390 (Note 6 (8)) included in other current assets are with quoted prices (unadjusted) in active markets and are categorised in Level 1; bank acceptance notes included in other current assets of RMB 750,671,721 are determined using direct and indirect observable inputs and included in Level 2, financial assets held for trading of RMB 635,000,000 and other non-current financial assets of RMB 183,705,265 are determined using unobservable inputs and included in Level 3.

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

For financial instruments traded in the active market, the Group determines their fair value with their active market quotations; For financial instruments that are not traded in active markets, the Group uses valuation techniques to determine their fair value. The valuation models used mainly include cash flow discount model and market comparable company model. The input values of valuation technology mainly include risk-free interest rate, benchmark interest rate, expected yield, liquidity premium, EBITDA multiplier and liquidity discount.



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 14 FAIR VALUE ESTIMATES (Continued)

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

	Financial assets held for trading	Other non-current financial assets	Total
31 December 2017	—	—	—
Changes in accounting policies (Unaudited) (Note 4(31)(b))	639,000,000	183,565,665	822,565,665
1 January 2018 (Unaudited)	639,000,000	183,565,665	822,565,665
Purchases (Unaudited)	825,000,000	—	825,000,000
Sales (Unaudited)	(845,812,240)	—	(845,812,240)
Total gains in the current period (Unaudited)	16,812,240	139,600	16,951,840
Gains recognised in profit (Unaudited)	16,812,240	139,600	16,951,840
30 June 2018 (Unaudited)	635,000,000	183,705,265	818,705,265

	Available-for-sale financial assets
1 January 2017	890,000,000
Purchases (Unaudited)	1,235,016,713
Sales (Unaudited)	(1,397,338,861)
Total gains in the current period (Unaudited)	12,322,148
Gains recognised in profit (Unaudited)	12,322,148
30 June 2017 (Unaudited)	740,000,000

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 account receivables and notes receivables, other receivables, debt investments, long-term receivables, short-term borrowings, account payables and other 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

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 15 CAPITAL MANAGEMENT

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

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

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

As at 30 June 2018 and 31 December 2017, the Group's gearing ratio is as follows:

	<b>30 June 2018 (Unaudited)</b>	31 December 2017
Bank borrowings	<b>260,323,138</b>	269,708,433
Customer deposits at Qingdao Finance (Note 6(23))	<b>4,810,261,112</b>	8,225,623,295
Bonds payable(Note 6(25))	<b>3,500,000,000</b>	3,500,000,000
Less: Cash(Note 6(43)(f))	<b>(4,401,231,916)</b>	(6,362,939,502)
Net debt	<b>4,169,352,334</b>	5,632,392,226
Shareholders' equity	<b>27,230,132,073</b>	25,062,656,390
Total capital	<b>31,399,484,407</b>	30,695,048,616
Gearing ratio	<b>13%</b>	18%

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 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 108,078,798 (equivalent to approximately RMB 664,987,225); QDP Relevant Parties should bear all property preservation fees and litigation costs incurred.

The above involved cargoes 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. On 9 April 2018, QDP Relevant Parties received the court notice from Qingdao Maritime Court which states that, due to the lack of reporting materials, the court decides to resume the Litigation I. As of the issuing date of the financial statements, there was no further progress of the case.

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

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

### (1) Cash at bank and on hand

	30 June 2018 (Unaudited)	31 December 2017
Cash on hand	—	83,581
Cash at bank	5,988,911,176	4,310,698,160
Other cash balances	16,125,965	389,095,706
	<u>6,005,037,141</u>	<u>4,699,877,447</u>

As at 30 June 2018, other cash balances includes deposits of RMB 16,125,965 (31 December 2017: RMB 21,254,867) for the issuance of acceptance notes of the Company through banks and its subsidiary Qingdao Finance.

### (2) Notes receivable and accounts receivable

	30 June 2018 (Unaudited)	31 December 2017
Notes receivable(a)	30,427,416	207,434,549
Accounts receivable (b)	825,422,128	956,905,662
	<u>855,849,544</u>	<u>1,164,340,211</u>

#### (a) Notes receivable

	30 June 2018 (Unaudited)	31 December 2017
Bank acceptance notes	—	182,824,549
Trade acceptance notes	32,028,859	24,610,000
Less: Provision for bad debts	(1,601,443)	—
	<u>30,427,416</u>	<u>207,434,549</u>

As at 30 June 2018, the Company has no pledged acceptance notes (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 .

As at 30 June 2018, no unmatured trade acceptance notes with recourse included in notes receivable (31 December 2017: nil).

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (2) Notes receivable and accounts receivable (Continued)

#### (b) Accounts receivable

	30 June 2018 (Unaudited)	31 December 2017
Accounts receivable	867,583,478	1,008,195,015
Less: Provision for bad debts	(42,161,350)	(51,289,353)
	<b>825,422,128</b>	<b>956,905,662</b>

The Group's income from rendering of service and sales are partially in form of cash, advances from customers, bank acceptance notes and trade acceptance notes. The remaining sales income is settled primarily with credit terms of 90 days.

The age of receivables and provision for bad debts are as follows:

	30 June 2018 (Unaudited)			31 December 2017		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	831,080,274	95.79%	(36,166,919)	981,733,843	97.38%	(43,962,694)
1 to 2 years	25,701,703	2.96%	(1,618,603)	9,921,546	0.98%	(962,877)
2 to 3 years	4,953,966	0.57%	(1,138,035)	9,187,126	0.91%	(2,526,282)
3 to 4 years	5,525,035	0.64%	(2,915,293)	7,030,000	0.70%	(3,515,000)
4 to 5 years	—	0.00%	—	—	0.00%	—
Over 5 years	322,500	0.04%	(322,500)	322,500	0.03%	(322,500)
	<b>867,583,478</b>	<b>100.00%</b>	<b>(42,161,350)</b>	<b>1,008,195,015</b>	<b>100.00%</b>	<b>(51,289,353)</b>

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 six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (2) Notes receivable and accounts receivable (Continued)

#### (b) Accounts receivable (Continued)

Accounts receivable are analysed as follows:

30 June 2018 (Unaudited)				
	Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Lifetime ECL rate
Provision for bad debts on the individual basis (i)	1,195,671	0.14%	(1,195,671)	100.00%
Provision for bad debts on the grouping basis				
Group A	120,495,036	13.89%	—	0.00%
Group C (ii)	745,892,771	86.97%	(40,965,679)	5.49%
	<b>867,583,478</b>	<b>100.00%</b>	<b>(42,161,350)</b>	<b>4.86%</b>

31 December 2017				
	Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Percentage
Provision for bad debts on the individual basis (i)	—	—	—	—
Provision for bad debts on the grouping basis				
Formerly Group A	106,328,793	10.55%	—	0.00%
Formerly Group C (ii)	900,670,551	89.33%	(50,093,682)	5.56%
Amounts that are not individually significant and that the related provision for bad debts is provided on the individual basis (i)	1,195,671	0.12%	(1,195,671)	100.00%
	<b>1,008,195,015</b>	<b>100.00%</b>	<b>(51,289,353)</b>	<b>5.09%</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (2) Notes receivable and accounts receivable (Continued)

#### (b) Accounts receivable (Continued)

- (i) As at 30 June 2018, accounts receivable for which the related provision for bad debts is made on the individual basis are analysed as follows:

	Ending balance	Lifetime ECL rate	Provision for bad debts	Reason
Receivables from Haikou Nantsing	<u>1,195,671</u>	100.00%	<u>(1,195,671)</u>	i)

- (i) The Company made provision for such receivables in full as the Haikou Nantsing had declared bankruptcy.

As at 31 December 2017, accounts receivable for which the related provision for bad debts is provided on the individual basis are analysed as follows:

	Ending balance	Percentage	Provision for bad debts
Receivables Haikou Nantsing	<u>1,195,671</u>	100.00%	<u>(1,195,671)</u>

- (ii) Accounts receivable for which the related provision for bad debts is provided on the grouping basis are analysed as follows:

30 June 2018 (Unaudited)			
	Ending balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Within 1 year	723,338,372	5.00%	(36,166,919)
1 to 2 years	16,186,031	10.00%	(1,618,603)
2 to 3 years	826,384	30.00%	(247,915)
3 to 4 years	5,219,484	50.00%	(2,609,742)
4 to 5 years	—	80.00%	—
Over 5 years	322,500	100.00%	(322,500)
	<u>745,892,771</u>	<u>5.47%</u>	<u>(40,965,679)</u>

As at 30 June 2018, the Company's net profit will be reduced by about RMB 3,048,238 if the lifetime ECL rate for each age band of accounts receivable increased by 10%, while other factors remain unchanged. As at 1 January 2018, the Group's undistributed profits will be reduced by about RMB3,732,839 if the lifetime ECL rate for each aging band increased by 10%.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (2) Notes receivable and accounts receivable (Continued)

#### (b) Accounts receivable (Continued)

- (ii) Accounts receivable for which the related provision for bad debts is provided on the grouping basis are analysed as follows: (Continued)

	31 December 2017		
	Ending balance	Provision for bad debts	
	Amount	Percentage	Amount
Within 1 year	879,253,909	5.00%	(43,962,694)
1 to 2 years	9,628,774	10.00%	(962,877)
2 to 3 years	4,435,368	30.00%	(1,330,611)
3 to 4 years	7,030,000	50.00%	(3,515,000)
4 to 5 years	—	80.00%	—
Over 5 years	322,500	100.00%	(322,500)
	<u>900,670,551</u>	<u>5.56%</u>	<u>(50,093,682)</u>

### (3) Other receivables

	30 June 2018 (Unaudited)	31 December 2017
Dividend receivable from subsidiary (i)	282,755,892	—
Construction expenditures paid on behalf of subsidiaries (ii)	73,732,623	118,941,534
Port construction fees receivable	54,328,739	56,115,044
Interest receivable	10,608,675	16,724,857
Receivables of agent procurement	10,340,778	10,340,778
Dividends receivables from joint ventures	5,237,520	—
Deposits and guarantees	4,482,289	3,405,881
Assets transfer receivables (iii)	3,218,118	220,029,917
Loans provided to related parties	—	50,000,000
Others	52,267,265	24,569,319
	<u>496,971,899</u>	<u>500,127,330</u>
Less: Provision for bad debts	<u>(16,063,412)</u>	<u>(26,526,128)</u>
	<u>480,908,487</u>	<u>473,601,202</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (3) Other receivables (Continued)

- (i) As at 30 June 2018, dividend receivable from subsidiary was receivable from QDP Logistics, the Company's subsidiary.
- (ii) Construction expenditures paid on behalf of subsidiaries mainly consists of advance payment of construction expenditures for Mercuria Logistics, Qingdao Port Engineering and other subsidiaries.
- (iii) As at 30 June 2018, receivables of asset transfer were receivables for equity transfer of Qingdao Port Travel Agency by the Company (As at 31 December 2017, this amount was receivables of terminal and stockyard project from QDOT).

#### (a) Loss provisions and the statement of changes in the carrying balance

As at 30 June 2018, Loss provisions and the statement of changes in the carrying balance are as follows:

	phase 1		phase 3		
	12-month ECL		Lifetime ECL (Credit impairment has occurred)		Total
	Amount	Provision for bad debts	Amount	Provision for bad debts	Provision for bad debts
31 December 2017	489,786,552	(16,185,350)	10,340,778	(10,340,778)	(26,526,128)
Changes in accounting policies	—	—	—	—	—
1 January 2018	489,786,552	(16,185,350)	10,340,778	(10,340,778)	(26,526,128)
Increase in the current period	(3,155,431)	—	—	—	—
Reverse in the current period	—	10,462,716	—	—	10,462,716
30 June 2018 (unaudit)	486,631,121	(5,722,634)	10,340,778	(10,340,778)	(16,063,412)

For the six months ended 30 June 2018, no bad debt of other receivables were written off.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (3) Other receivables (Continued)

#### (a) Loss provisions and the statement of changes in the carrying balance (Continued)

- (i) As at 30 June 2018, the provision for bad debts for other receivables in the first phase are as follows:

	Amount (unaudited)	12-month ECL rate	Provision for bad debts (unaudited)	Reason
Provision on bad debts on the grouping basis:				
Group A	378,194,198	0.00%	—	
Group D	108,436,923	5.28%	(5,722,634)	i)
	<u>486,631,121</u>		<u>(5,722,634)</u>	

- i) Other receivables for which the related provision for bad debts is provided on the grouping basis are analysed as follows:

30 June 2018 (Unaudited)			
	Ending balance	Provision for bad debts	
	Amount	ECL rate for the next 12 months	Amount
Within 1 year	104,854,536	4.91%	(5,145,643)
1 to 2 years	3,123,021	10.00%	(312,302)
2 to 3 years	184,003	30.00%	(55,201)
3 to 4 years	75,750	50.00%	(37,875)
4 to 5 years	140,000	80.00%	(112,000)
Over 5 years	59,613	100.00%	(59,613)
	<u>108,436,923</u>	<u>5.28%</u>	<u>(5,722,634)</u>

- (ii) As at 30 June 2018, the Company does not have other receivables in the second phase.
- (iii) As at 30 June 2018, the provision for bad debts for other receivables in the third phase are as follows:

	Amount (unaudited)	Lifetime ECL rate	Provision for bad debts (unaudited)
Provision on bad debts on the individual basis:			
Receivables from Xi'an Hedu	<u>10,340,778</u>	100%	<u>(10,340,778)</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (3) Other receivables (Continued)

#### (b) Provision for bad debts

As at 31 December 2017, other receivables are analyzed by category as follows:

	31 December 2017			
	Ending balance		Provision for bad debts	
	Amount	% of total	Amount	Percentage
Amounts that are individually significant and that the related provision for bad debts is provided on the individual basis (i)	10,340,778	2.07%	(10,340,778)	100.00%
Provision for bad debts on the grouping basis				
Formerly Group A	134,991,789	26.99%	—	0.00%
Formerly Group B(ii)	50,000,000	10.00%	(750,000)	1.50%
Formerly Group C(iii)	304,794,763	60.94%	(15,435,350)	5.06%
	<u>500,127,330</u>	<u>100.00%</u>	<u>(26,526,128)</u>	<u>5.30%</u>

- (i) As at 31 December 2017, other receivables for which the related provision for bad debts is provided on the individual basis are analysed as follows:

	Amount	Percentage	Provision for bad debts
Receivables from Xi'an Heduo	<u>10,340,778</u>	100.00%	<u>(10,340,778)</u>

- (ii) As at 31 December 2017, provision of bad debts of RMB 750,000 has been determined by the Company according to the five-level classification management method.

- (iii) Provision for bad debts for remaining receivables on grouping basis are analysed as follows:

	31 December 2017		
	Ending balance	Provision for bad debts	
	Amount	Percentage	Amount
Within 1 year	303,366,455	4.94%	(14,979,710)
1 to 2 years	634,466	10.00%	(63,447)
2 to 3 years	328,458	30.00%	(98,537)
3 to 4 years	264,171	50.00%	(132,086)
4 to 5 years	198,213	80.00%	(158,570)
Over 5 years	3,000	100.00%	(3,000)
	<u>304,794,763</u>	<u>5.06%</u>	<u>(15,435,350)</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (3) Other receivables (Continued)

(c) (Reversed)/recognised bad debts provision by the Company are listed as follows:

	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)
Provision for bad debts recognised	—	177,590
Provision for bad debts reversed	(10,462,716)	—
	<b>(10,462,716)</b>	<b>177,590</b>

(d) For the six months ended 30 June 2018 and 2017, no other receivables were written off by the Company.

### (4) Inventory

(a) Inventories are listed as follows:

	30 June 2018 (Unaudited)		
	Ending balance	Provision for decline in the value of inventories	Carrying amount
Materials and finished goods	26,122,310	—	26,122,310
Spare parts	5,115,428	—	5,115,428
Fuel	2,521,539	—	2,521,539
Others	1,434,746	—	1,434,746
	<b>35,194,023</b>	<b>—</b>	<b>35,194,023</b>

	31 December 2017		
	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
Materials and finished goods	20,061,970	—	20,061,970
Spare parts	2,483,202	—	2,483,202
Fuel	4,876,866	—	4,876,866
Others	1,178,720	—	1,178,720
	<b>165,598,525</b>	<b>—</b>	<b>165,598,525</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (4) Inventory (Continued)

#### (a) Inventories are listed as follows: (Continued)

##### (i) Amount due from customers for construction contract

	30 June 2018 (Unaudited)	31 December 2017
Accumulated cost recognised	—	569,663,663
Add: Accumulated gross profits recognised	—	41,577,880
Less: Accumulated amounts settled	—	(474,243,776)
	<u>—</u>	<u>136,997,767</u>

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

	31 December 2017	Changes in accounting policies (Unaudited)	1 January 2018 (Unaudited)	Increase in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2018 (Unaudited)
Amount due from customers for construction contract	136,997,767	(136,997,767)	—	—	—	—
Materials and finished goods	20,061,970	—	20,061,970	224,815,379	(218,755,039)	26,122,310
Spare parts	2,483,202	—	2,483,202	15,877,906	(13,245,680)	5,115,428
Fuel	4,876,866	—	4,876,866	169,266,369	(171,621,696)	2,521,539
Others	1,178,720	—	1,178,720	18,242,774	(17,986,748)	1,434,746
	<u>165,598,525</u>	<u>(136,997,767)</u>	<u>28,600,758</u>	<u>428,202,428</u>	<u>(421,609,163)</u>	<u>35,194,023</u>

#### (c) As at 30 June 2018 and 31 December 2017, the management of the Company are of the view that there was no indication that the inventory might be impaired, therefore no provision for impairment was recorded.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (5) Contract assets

	30 June 2018 (Unaudited)	31 December 2017
Amount due from customers for construction contract (i)	112,249,412	—
Less: Provision for bad debts	(5,612,471)	—
	<u>106,636,941</u>	<u>—</u>

#### (i) Amount due from customers for construction contract

	30 June 2018 (Unaudited)	31 December 2017
Accumulated cost recognised	634,311,622	—
Add: Accumulated gross profits recognised	68,457,416	—
Less: Accumulated amounts settled	(590,519,626)	—
	<u>112,249,412</u>	<u>—</u>

### (6) Other current assets

	30 June 2018 (Unaudited)	31 December 2017
Bank acceptance notes receivable	421,065,267	—
VAT input to be deducted	18,296,424	21,590,281
Available-for-sale financial assets	—	300,000,000
	<u>439,361,691</u>	<u>321,590,281</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (7) Long-term receivables

	30 June 2018 (Unaudited)	31 December 2017
Loans provided to subsidiaries (i)	2,610,000,000	1,795,000,000
Loans provided to other related parties (ii)	1,100,000,000	2,535,000,000
Less: Overdue within one year	(600,000,000)	—
Less: Provision for bad debts	(24,170,000)	(49,875,000)
Less: Loan impairment provision due within one year	11,000,000	—
	(13,170,000)	(49,875,000)
	<b>3,096,830,000</b>	<b>4,280,125,000</b>

- (i) Loans provided to subsidiaries were long-term entrusted loans provided to subsidiaries by the Company. 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.
- (ii) Loans provided to other related parties were long-term entrusted loans provided to subsidiaries by the Company. 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.

### (8) Long-term equity investments

	30 June 2018 (Unaudited)	31 December 2017
Subsidiaries (a)	3,633,513,156	3,614,565,893
Joint ventures (b)	9,641,526,265	9,055,405,486
Associates (c)	99,907,500	98,829,206
	<b>13,374,946,921</b>	<b>12,768,800,585</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (8) Long-term equity investments (Continued)

#### (a) Subsidiaries

	31 December 2017	Increase in investment (Unaudited)	Decrease in investment (Unaudited)	30 June 2018 (Unaudited)	Profit declared in the current period (Unaudited)
Yongli Insurance	7,866,558	—	—	7,866,558	—
QDP Logistics	257,374,925	—	—	257,374,925	565,511,784
Hongyu Cargo Agency	12,811,516	—	—	12,811,516	—
GLS Shipping	2,580,830	21,000,000	—	23,580,830	3,905,231
Ocean Shipping Repair	3,666,959	—	—	3,666,959	456,697
Qingdao Port Engineering	114,455,552	—	—	114,455,552	—
Ocean Shipping Tally	389,296,880	—	—	389,296,880	135,568,173
Gangjia Logistics	7,299,874	—	—	7,299,874	—
Gangrong Storage	7,952,229	—	—	7,952,229	—
Qingdao Port Travel Agency	3,052,737	—	(3,052,737)	—	—
Duty-free Merchandise	2,931,373	—	—	2,931,373	—
Datang Port	179,109,502	—	—	179,109,502	—
Qingdao Finance	700,000,000	—	—	700,000,000	—
Mercuria Logistics	273,278,376	—	—	273,278,376	—
Mercuria Oil Terminal	182,079,200	—	—	182,079,200	—
Eimskip Coldchain	14,000,000	—	—	14,000,000	—
Qingdao Port Properties	5,000,000	—	—	5,000,000	8,000,000
Culture Media	3,000,000	—	—	3,000,000	—
International Development	40,307,042	—	—	40,307,042	—
Tongbao Shipping	20,000,000	—	—	20,000,000	3,873,739
DMT	480,000,000	—	—	480,000,000	—
Lianhua Pipeline	441,660,000	—	—	441,660,000	—
Technology Company	20,000,000	—	—	20,000,000	—
Svitzer Towage	115,500,000	—	—	115,500,000	—
Tongze Trading	10,000,000	—	—	10,000,000	6,787,544
Bonded Logistics Centre	25,458,868	—	—	25,458,868	—
Vopak Logistics	295,883,472	—	—	295,883,472	—
Tongan Security	—	1,000,000	—	1,000,000	—
	<u>3,614,565,893</u>	<u>22,000,000</u>	<u>(3,052,737)</u>	<u>3,633,513,156</u>	<u>724,103,168</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (8) Long-term equity investments (Continued)

#### (b) Joint ventures

	31 December 2017	Movements for the current period (Unaudited)					30 June 2018 (Unaudited)
		Increase or decrease in investment	Share of net profit/(loss) under equity method	Other equity changes	Cash dividends/ profit declared	. Unrealised profits and losses	
QQCT	5,446,940,918	—	429,653,292	4,147,659	—	(21,040,442)	5,859,701,427
Qingdao Shihua	1,587,464,634	—	179,620,583	4,393,246	—	(405,000)	1,771,073,463
West United	462,590,310	—	14,133,734	(123,527)	—	(375,129)	476,225,388
Qingwei Container	167,988,099	—	12,504,958	130,155	(52,277,520)	—	128,345,692
Evergreen Container	69,254,193	—	11,509,953	200,168	(20,209,427)	—	60,754,887
Orient Container	45,636,846	8,564,407	3,581,720	—	(7,670,278)	—	50,112,695
Haiwan Liquid Chemical	142,530,798	—	1,269,144	21,267	—	—	143,821,209
Ganghai Logistics	82,149,046	—	3,307,058	—	—	—	85,456,104
Shenzhouxing Cargo Agency	38,769,391	—	8,840,255	—	—	—	47,609,646
China Shipping Agency	14,442,742	—	66,496	—	—	—	14,509,238
United Shipping Agency	66,115,107	—	512,579	—	(11,574,737)	—	55,052,949
Huaneng Qingdao	155,712,942	—	(9,768,468)	21,108	—	—	145,965,582
Dongjiakou IMC Logistics	56,602,808	—	6,989,958	—	—	—	63,592,766
QDOT	658,724,797	—	17,085,902	—	—	(1,301,535)	674,509,164
Henan Yuqing	2,452,288	—	—	—	—	—	2,452,288
Dongjiakou Sinotrans Logistics	49,152,134	—	686,661	—	—	—	49,838,795
Binzhou Port QDP International Terminal	8,878,433	—	3,521,847	104,692	—	—	12,504,972
	<u>9,055,405,486</u>	<u>8,564,407</u>	<u>683,515,672</u>	<u>8,894,768</u>	<u>(91,731,962)</u>	<u>(23,122,106)</u>	<u>9,641,526,265</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (8) Long-term equity investments (Continued)

#### (c) Associates

Accounting Method	31 December 2017	Movements for the current period (Unaudited)		30 June 2018 (Unaudited)
		Share of net profit/ (loss) under equity method	Cash dividends/ Profit declared	
Ganghua Logistics	Equity method	8,212,998	902,712	—
Qingyin Financial	Equity method	90,616,208	175,582	—
Leasing	Equity method	98,829,206	1,078,294	—
		<u>98,829,206</u>	<u>1,078,294</u>	<u>99,907,500</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 management authorities.

### (9) Investment properties

	Buildings	Land use rights	Total
<b>Cost</b>			
31 December 2017	261,072,710	497,731,640	758,804,350
Transfer from intangible asseet(Unaudited)	—	469,616	469,616
30 June 2018 (Unaudited)	<u>261,072,710</u>	<u>498,201,256</u>	<u>759,273,966</u>
<b>Accumulated depreciation</b>			
31 December 2017	(41,560,048)	(45,744,823)	(87,304,871)
Increase in the current period (Unaudited)	(5,207,045)	(5,639,171)	(10,846,216)
Transfer from intangible asseet(Unaudited)	—	(5,321)	(5,321)
30 June 2018 (Unaudited)	<u>(46,767,093)</u>	<u>(51,389,315)</u>	<u>(98,156,408)</u>
<b>Net book value</b>			
30 June 2018 (Unaudited)	<u>214,305,617</u>	<u>446,811,941</u>	<u>661,117,558</u>
31 December 2017	<u>219,512,662</u>	<u>451,986,817</u>	<u>671,499,479</u>

As at 30 June 2018, the management of the Company are of the view that there is no indication that the investment properties may be impaired, therefore no provision for impairment is recorded (31 December 2017: nil).



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (10) Fixed assets

	Buildings	Terminal facilities	Storage facilities	Loading equipment	Machinery and equipment	Vessels	Motor vehicles	Communication facilities	Office equipment and others	Total
Cost										
31 December 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
Transfers from construction in progress (Unaudited)	633,947	—	678,200	—	6,687,998	—	—	682,392	—	8,682,537
Purchase in current period (Unaudited)	—	120,385	—	4,988,324	19,432,115	91,439,655	954,684	3,851,552	1,147,286	121,934,001
Decrease in the current period (Unaudited)	—	—	—	—	(877,765)	—	(143,141)	(432,470)	(1,119,724)	(2,573,100)
30 June 2018 (Unaudited)	271,941,497	5,680,411,240	2,063,807,497	941,388,476	238,553,408	922,877,603	50,721,234	84,119,394	20,397,118	10,274,217,467
Accumulated depreciation										
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)
Increase in the current period (Unaudited)	(6,259,610)	(78,243,293)	(32,569,824)	(46,351,997)	(11,871,092)	(26,032,424)	(2,620,100)	(5,717,269)	(783,936)	(210,449,545)
Decrease in the current period (Unaudited)	—	—	—	—	297,809	—	137,415	179,283	787,582	1,402,089
30 June 2018 (Unaudited)	(51,112,364)	(702,281,758)	(259,396,590)	(658,677,229)	(107,219,844)	(246,038,124)	(32,723,213)	(39,587,347)	(14,029,284)	(2,111,065,753)
Net book value										
30 June 2018 (Unaudited)	220,829,133	4,978,129,482	1,804,410,907	282,711,247	131,333,564	676,839,479	17,998,021	44,532,047	6,367,834	8,163,151,714
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

For the sixth months ended 30 June 2018, the amounts of depreciation expenses charged to cost of sales and general and administrative expenses were RMB 203,353,598 and RMB 7,095,947 respectively (for the sixth months ended 30 June 2017: RMB 208,580,506 and RMB 9,944,589).

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (11) Construction in progress

Project name	31 December 2017	Increase in the current period (Unaudited)	Transfer to fixed assets in the current period (Unaudited)	Transfer to intangible assets in the current period (Unaudited)	30 June 2018 (Unaudited)
Dongjiakou stevedoring, storage and transportation projects for liquid bulk cargo	401,009,725	—	—	—	401,009,725
Dongjiakou berth project for bulk and general cargo	383,287,852	35,526,008	—	—	418,813,860
Dongjiakou stockyard project	232,490,610	53,347	—	—	232,543,957
Other Dongjiakou projects	26,848,313	626,696	(626,696)	—	26,848,313
Other projects	30,525,474	66,244,013	(8,055,841)	(7,406,599)	81,307,047
	<u>1,074,161,974</u>	<u>102,450,064</u>	<u>(8,682,537)</u>	<u>(7,406,599)</u>	<u>1,160,522,902</u>

The Company has no capitalised borrowing expense.

### (12) Intangible assets

	Land use rights	Software	Sea area use rights	Others	Total
Cost					
31 December 2017	2,381,989,069	31,229,796	1,362,580	32,269,286	2,446,850,731
Increase in the current period (Unaudited)					
Purchase	764,214,738	2,761,577	—	—	766,976,315
Transfers from construction in progress	—	7,406,599	—	—	7,406,599
Decrease in the current period (Unaudited)					
Transfer into investment properties	(469,616)	—	—	—	(469,616)
30 June 2018 (Unaudited)	3,145,734,191	41,397,972	1,362,580	32,269,286	3,220,764,029
Accumulated amortisation					
31 December 2017	(212,760,184)	(14,129,068)	(109,010)	(14,354,182)	(241,352,444)
Increase in the current period (Unaudited)					
Provision	(33,375,210)	(2,947,208)	(13,626)	(1,503,125)	(37,839,169)
Decrease in the current period (Unaudited)					
Transfer into investment properties	5,321	—	—	—	5,321
30 June 2018 (Unaudited)	(246,130,073)	(17,076,276)	(122,636)	(15,857,307)	(279,186,292)
Book value					
30 June 2018 (Unaudited)	2,899,604,118	24,321,696	1,239,944	16,411,979	2,941,577,737
31 December 2017	2,169,228,885	17,100,728	1,253,570	17,915,104	2,205,498,287

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (13) Other non-current assets

	30 June 2018 (Unaudited)	31 December 2017
Taxes prepaid for port facilities rental income (Note 6(16)(i))	182,160,358	187,965,580
Less: Current portion	(11,744,150)	(11,806,865)
Construction and equipment expenditures prepaid	236,001	63,772,954
	<b>170,652,209</b>	<b>239,931,669</b>

### (14) Provision for asset impairment

	31 December 2017	Changes in accounting policies (Unaudited)	1 January 2018 (Unaudited)	Increase in the current period (Unaudited)	Decrease in the current period Reversal (Unaudited)	Write-off (Unaudited)	30 June 2018 (Unaudited)
Provision for bad debts of notes receivable and accounts receivable	51,289,353	—	51,289,353	—	(7,526,560)	—	43,762,793
Including: Provision for bad debts on the individual basis	1,195,671	—	1,195,671	—	—	—	1,195,671
Provision for bad debts on the grouping basis	50,093,682	—	50,093,682	—	(7,526,560)	—	42,567,122
Provision for bad debts of other receivables	26,526,128	—	26,526,128	—	(10,462,716)	—	16,063,412
Including: Provision for bad debts on the individual basis	10,340,778	—	10,340,778	—	—	—	10,340,778
Provision for bad debts on the grouping basis	16,185,350	—	16,185,350	—	(10,462,716)	—	5,722,634
Provision for bad debts of long-term receivables	49,875,000	—	49,875,000	—	(25,705,000)	—	24,170,000
Provision for bad debts of contract assets	—	6,849,888	6,849,888	—	(1,237,417)	—	5,612,471
	<b>127,690,481</b>	<b>6,849,888</b>	<b>134,540,369</b>	<b>—</b>	<b>(44,931,693)</b>	<b>—</b>	<b>89,608,676</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (15) Deferred tax assets

	30 June 2018 (Unaudited)		31 December 2017	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Early retirement benefits	82,010,000	20,502,500	89,900,000	22,475,000
Provision for asset impairments	89,608,676	22,402,169	128,518,209	31,621,795
Assets revaluation surplus	38,798,809	9,699,702	38,933,568	9,733,392
Elimination of intra-group unrealised profit	14,328,832	3,582,208	10,899,112	2,724,778
Accrued expenses	1,789,287	447,322	2,024,113	506,028
	<u>226,535,604</u>	<u>56,633,901</u>	<u>270,275,002</u>	<u>67,060,993</u>
Including:				
Expected to be recovered within one year (inclusive)		5,424,702		5,483,409
Expected to be recovered after one year		<u>51,209,199</u>		<u>61,577,584</u>
		<u>56,633,901</u>		<u>67,060,993</u>

As at 30 June 2018, the Company has no deferred tax liabilities (31 December 2017: nil).

### (16) Short-term borrowings

	Currency	30 June 2018 (Unaudited)	30 December 2017
Unsecured	RMB	<u>102,000,000</u>	<u>315,000,000</u>

As at 30 June 2018, the interest rate of short-term borrowings ranges are 4.35% (31 December 2017: 4.35%).

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (17) Notes payable and accounts payable

	30 June 2018 (Unaudited)	31 December 2017
Notes payable	163,522,340	225,818,064
Accounts payable	622,650,012	561,731,007
	<b>786,172,352</b>	<b>787,549,071</b>

### (18) Employee benefits payable

	30 June 2018 (Unaudited)	31 December 2017
Short-term employee benefits payable (a)	45,215,542	60,996,867
Defined contribution plans payable (b)	2,075,253	1,825,653
Termination benefits payable (c)	19,640,000	19,640,000
Defined benefit plans payable (d)	101,400,000	101,400,000
	<b>168,330,795</b>	<b>183,862,520</b>

#### (a) Short-term employee benefits

	31 December 2017	Increase in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2018 (Unaudited)
Wages and salaries, bonus, allowances and subsidies	49,269,671	298,355,900	(317,327,858)	30,297,713
Employee welfare	—	27,546,713	(23,003,067)	4,543,646
Social security contributions	—	29,768,770	(29,768,770)	—
Including: Medical insurance	—	24,251,714	(24,251,714)	—
Work injury insurance	—	1,404,473	(1,404,473)	—
Maternity insurance	—	4,112,583	(4,112,583)	—
Housing funds	620	31,030,281	(31,029,661)	1,240
Labour union funds and employee education funds	4,469,740	6,282,091	(6,148,155)	4,603,676
Outsourcing costs	7,256,836	134,217,555	(135,821,184)	5,653,207
Others	—	873,877	(757,817)	116,060
	<b>60,996,867</b>	<b>528,075,187</b>	<b>(543,856,512)</b>	<b>45,215,542</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (18) Employee benefits payable (Continued)

#### (b) Defined contribution plans

	31 December 2017	Increase in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2018 (Unaudited)
Basic pensions	—	49,501,862	(49,501,862)	—
Unemployment insurance	—	1,923,090	(1,923,090)	—
Enterprise annuity	1,825,653	13,754,597	(13,504,997)	2,075,253
	<u>1,825,653</u>	<u>65,179,549</u>	<u>(64,929,949)</u>	<u>2,075,253</u>

#### (c) Termination benefits payable

	30 June 2018 (Unaudited)	31 December 2017
Early retirement benefits payable	<u>19,640,000</u>	<u>19,640,000</u>
Early retirement benefits borne by the Company are recognised as long-term employee benefits payable (Note 17(21)), the current portion of which is presented as employee benefits payable.		

#### (d) Defined benefit plans payable

	30 June 2018 (Unaudited)	31 December 2017
Supplemental retirement benefits	<u>101,400,000</u>	<u>101,400,000</u>

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



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (19) Taxes payable

	<b>30 June 2018 (Unaudited)</b>	31 December 2017
Enterprise income tax payable	<b>27,774,833</b>	10,211,289
Land use tax payable	<b>12,754,256</b>	10,693,094
Unpaid VAT	<b>8,121,050</b>	47,697,288
Individual income tax payable	<b>1,963,658</b>	2,953,754
Property tax payable	<b>708,398</b>	1,945,344
City maintenance and construction tax payable	<b>217,755</b>	3,632,156
Others	<b>456,019</b>	3,292,714
	<b><u>51,995,969</u></b>	<u>80,425,639</u>

### (20) Other payables

	<b>30 June 2018 (Unaudited)</b>	31 December 2017
Engineering equipment payable	<b>399,997,043</b>	351,723,865
Rail freight paid on behalf	<b>76,331,375</b>	501,545
Port construction fees payable	<b>55,173,832</b>	48,577,775
Guarantees and deposits payable	<b>19,515,019</b>	16,736,961
Interest on bonds payable	<b>16,200,982</b>	68,850,982
Others	<b>38,774,518</b>	26,060,015
	<b><u>605,992,769</u></b>	<u>512,451,143</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

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

	<b>30 June 2018 (Unaudited)</b>	31 December 2017
Early retirement benefits payable (a)	<b>62,370,000</b>	70,260,000
Supplemental retirement benefits (b)	<b>2,222,650,000</b>	2,085,300,000
	<b><u>2,285,020,000</u></b>	<u>2,155,560,000</u>

#### (a) Early retirement benefits of the Company

	<b>30 June 2018 (Unaudited)</b>	31 December 2017
Early retirement benefits	<b>82,010,000</b>	89,900,000
Less: Payable within one year	<b>(19,640,000)</b>	(19,640,000)
	<b><u>62,370,000</u></b>	<u>70,260,000</u>

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

#### (b) Supplemental retirement benefits of the Company

	<b>30 June 2018 (Unaudited)</b>	31 December 2017
Supplemental retirement benefits	<b>2,324,050,000</b>	2,186,700,000
Less: Payable within one year	<b>(101,400,000)</b>	(101,400,000)
	<b><u>2,222,650,000</u></b>	<u>2,085,300,000</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

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

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

	Early retirement benefits	Supplemental retirement benefits
1 January 2018	89,900,000	2,186,700,000
Amount recognised in profit or loss for the current period (Unaudited)		
– Service cost	—	1,110,000
– Net interest expense on the net obligations	1,590,000	45,380,000
Re-measurement amount (Unaudited)		
– Actuarial gains for the current period	1,920,000	133,870,000
Payment of benefits (Unaudited)	(11,400,000)	(43,010,000)
30 June 2018 (Unaudited)	82,010,000	2,324,050,000

	Early retirement benefits	Supplemental retirement benefits
1 January 2017	117,240,000	2,533,300,000
Amount recognised in profit or loss for the current period (Unaudited)		
– Service cost	—	1,440,000
– Net interest expense on the net obligations	1,580,000	43,410,000
Re-measurement amount (Unaudited)		
– Actuarial gains for the current period	(2,770,000)	(169,560,000)
Payment of benefits (Unaudited)	(15,280,000)	(45,190,000)
30 June 2017 (Unaudited)	100,770,000	2,363,400,000

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

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
General and administrative expenses	3,030,000	(1,330,000)
Financial expenses	46,970,000	44,990,000

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (22) Capital surplus

	31 December 2017	Increase in the current period (Unaudited)	30 June 2018 (Unaudited)
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	7,012,559,612	—	7,012,559,612
Shares issue expenses	(126,431,506)	—	(126,431,506)
Business combination involving enterprises under common control	(31,531,719)	—	(31,531,719)
Other capital surplus - Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	9,135,725	8,894,768	18,030,493
	<u>14,699,598,194</u>	<u>8,894,768</u>	<u>14,708,492,962</u>
	31 December 2016	Increase in the current period (Unaudited)	30 June 2017 (Unaudited)
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 involving enterprises under common control	(31,531,719)	—	(31,531,719)
Other capital surplus - Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	12,213,780	5,409,108	17,622,888
	<u>9,250,433,041</u>	<u>5,457,652,316</u>	<u>14,708,085,357</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (23) Undistributed profits

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Undistributed profits at beginning of period (before adjustment)	3,667,606,207	2,257,979,547
Adjustment (a)	(5,137,416)	—
Undistributed profits at beginning of period (after adjustment)	3,662,468,791	2,257,979,547
Add: Net profit for the current period	1,948,964,366	1,418,585,859
Less: Dividend distribution to shareholders (Note 6(34))	—	(787,551,013)
Undistributed profits at the end of the period	<u>5,611,433,157</u>	<u>2,889,014,393</u>

- (a) In 2018, undistributed profit at the beginning of period adjusted RMB 5,137,416 due to the first implementation of the new revenue accounting standard and new financial instruments standard. (Note 4(31))

### (24) Revenue and cost of sales

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Revenue from main operations	2,314,651,261	2,289,009,372
Revenue from other operations	505,528,488	399,690,344
	<u>2,820,179,749</u>	<u>2,688,699,716</u>
	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Cost of sales from main operations	(1,610,856,584)	(1,684,283,308)
Cost of sales from other operations	(382,620,168)	(243,781,899)
	<u>(1,993,476,752)</u>	<u>(1,928,065,207)</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (24) Revenue and cost of sales (Continued)

#### (a) Revenue and cost of sales from main operations

	Six months ended 30 June 2018 (Unaudited)		Six months ended 30 June 2017 (Unaudited)	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
Container handling and ancillary services	112,733,249	(34,371,658)	112,040,436	(35,528,578)
Metal ore, coal and other cargo handling and ancillary services	1,517,488,196	(1,172,529,429)	1,568,257,935	(1,269,837,945)
Liquid bulk cargo handling and ancillary services	108,580,400	(8,379,823)	90,342,344	(18,116,473)
Logistics and port value-added services	310,583,579	(168,040,892)	310,651,353	(187,079,738)
Port ancillary services - construction, labour and sales of port machinery	265,265,837	(227,534,782)	207,717,304	(173,720,574)
	<u>2,314,651,261</u>	<u>(1,610,856,584)</u>	<u>2,289,009,372</u>	<u>(1,684,283,308)</u>

#### (b) Revenue and cost of sales from other operations

	Six months ended 30 June 2018 (Unaudited)		Six months ended 30 June 2017 (Unaudited)	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Port ancillary service - sales of fuel, electricity and others	<u>505,528,488</u>	<u>(382,620,168)</u>	<u>399,690,344</u>	<u>(243,781,899)</u>

For the six months ended 30 June 2018, among the above revenue categories, except for contract obligations of partial port ancillary services like sales of fuel, electricity and others are satisfied at a point in time and leasing rental income, the remaining contract obligations are satisfied over-time.



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (25) Financial expenses

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Interest expenses	58,362,091	66,390,112
Less: Interest income	(161,805,619)	(84,992,924)
Effect of actuarial calculation of employee benefits	46,970,000	44,990,000
Exchange gains or losses	(11,960,900)	15,644,444
Others	257,267	219,015
	<b>(68,177,161)</b>	<b>42,250,647</b>

### (26) Expenses by nature

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

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Employee benefits	596,284,736	588,378,736
Subcontract cost	360,857,756	502,068,834
Cost of sales for fuel and electricity	267,040,561	148,097,678
Cost for outsourcing transportation	232,230,331	170,571,108
Depreciation of fixed assets	210,449,545	218,525,095
Consumption of raw materials in construction contract	122,514,064	103,814,585
Fuel and utility fees	93,082,039	87,105,104
Consumption of other raw materials	78,671,506	81,386,535
Rental expenses	47,012,757	46,963,815
Amortisation of intangible assets	37,839,169	30,684,196
Repair charges	31,134,010	37,450,016
Depreciation of investment properties	10,846,216	10,177,593
Auditor's fee	3,632,295	3,000,364
- Audit services	3,622,932	2,958,229
- Non-audit services	9,363	42,135
Amortisation of long-term prepaid expenses	5,500,908	2,717,091
Others	31,489,537	48,508,300
	<b>2,128,585,430</b>	<b>2,079,449,050</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (27) Asset impairment losses

	Six month ended 30 June 2017 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Provision of bad debts loss of notes receivable and accounts receivable	(7,526,560)	—
Provision of bad debts loss of other receivables	(10,462,716)	—
Provision of bad debts loss of long-term receivable	(25,705,000)	—
Provision of bad debts loss of contract assets	(1,237,417)	—
	<u>(44,931,693)</u>	<u>—</u>

### (28) Investment income

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Investment income from long-term equity investment under cost method	724,103,168	531,722,892
Investment income from long-term equity investments under equity method	661,471,860	502,558,998
Investment income from financial asset held for trading	5,917,808	—
Dividend income from other equity instruments	29,250	—
Investment income earned during the holding period of available-for-sale financial assets	—	29,250
Investment income from disposal of subsidiaries	165,380	—
	<u>1,391,687,466</u>	<u>1,034,311,140</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (29) Income tax expenses

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Current income tax calculated based on tax law and related regulations	131,704,469	149,865,828
Deferred income tax	69,279,460	4,048,920
	<b>200,983,929</b>	<b>153,914,748</b>

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

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Total profit	2,149,948,295	1,572,500,607
Income tax expenses calculated at applicable tax rates	537,487,074	393,125,152
Investment income not subject to tax	(346,393,757)	(258,570,473)
Additional deduction of employee benefits of the disabled	(807,591)	(793,801)
Costs, expenses and losses not deductible for tax purposes	10,698,203	20,153,870
Income tax expenses	<b>200,983,929</b>	<b>153,914,748</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (30) Other comprehensive income

#### (a) Reconciliation of other comprehensive income

	Changes in the remeasurement of net liability related to the defined benefit plan
31 December 2016	(65,200,000)
Movements in the current period (Unaudited)	169,560,000
30 June 2017 (Unaudited)	104,360,000
31 December 2017	270,820,000
Movements in the current period (Unaudited)	(133,870,000)
30 June 2018 (Unaudited)	136,950,000

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

	Six months ended 30 June 2018 (Unaudited)		
	Amount before tax	Income tax	Net after tax
Other comprehensive income items which will not be reclassified subsequently to profit or loss Changes in the remeasurement of net liability related to the defined benefit plan	(133,870,000)	—	(133,870,000)

	Six months ended 30 June 2017 (Unaudited)		
	Amount before tax	Income tax	Net after tax
Other comprehensive income items which will not be reclassified subsequently to profit or loss Changes in the remeasurement of net liability related to the defined benefit plan	169,560,000	—	169,560,000

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (31) Notes to the Company's cash flow statement

#### (a) Supplementary information to the cash flow statement

*Reconciliation from net profit to cash flows from operating activities*

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Net profit	1,948,964,366	1,418,585,859
Add: Provision for asset impairment loss	—	55,944
Reversal of Credit impairment losses	(44,931,693)	—
Depreciation of fixed assets and investment properties	221,295,761	228,702,688
Amortisation of intangible assets	37,839,169	30,684,196
Amortisation of long-term prepaid expenses	5,500,908	2,717,091
Amortisation of deferred income	(1,957,221)	—
Gains on disposal of non-current assets	(2,914,688)	(525,833)
Investment income	(1,391,687,466)	(1,034,311,140)
Decrease in deferred tax assets	12,139,564	4,048,920
Financial expenses	(57,834,656)	56,961,659
Increase/(Decrease) in inventories	16,917,673	(20,817,273)
Increase in operating receivables	(122,291,051)	(319,167,125)
Decrease in operating payables	(26,229,984)	(220,026,026)
Net cash flows from operating activities	<u>594,810,682</u>	<u>146,908,960</u>

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

##### (i) Endorsement of notes receivable

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Goods and services purchased by endorsement of notes receivable	<u>799,810,264</u>	<u>911,904,416</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (31) 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

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Long-term assets acquired by endorsement of notes receivable	17,504,729	66,555,500
Construction expenditures paid on behalf by endorsement of notes receivable	—	21,578,781
	<u>17,504,729</u>	<u>88,134,281</u>

##### (ii) Finance lease

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Finance lease assets	<u>55,387,725</u>	<u>—</u>

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

##### (i) Notes receivable discounted

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Short-term borrowings payment deducted by previously discounted notes receivable fall due	<u>—</u>	<u>126,936,100</u>

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



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (31) Notes to the Company's cash flow statement (Continued)

#### (e) Net movements in cash

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Balance at the end of the period	3,324,656,176	5,543,871,796
Less: Cash at the beginning of the period	(4,285,781,741)	(2,183,155,558)
Net (decrease)/increase in cash	<u>(961,125,565)</u>	<u>3,360,716,238</u>

#### (f) Cash

	30 June 2018 (Unaudited)	31 December 2017
Cash at bank and on hand (Note 17(1))	6,005,037,141	4,699,877,447
Less: Term deposits with initial term of over 3 months	(2,664,255,000)	(25,000,000)
Other restricted cash balance	(16,125,965)	(389,095,706)
Cash at the end of the period/year	<u>3,324,656,176</u>	<u>4,285,781,741</u>

#### (g) Cash received relating to other operating activities

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Operating lease rental of port facilities	115,247,625	79,839,984
Railway freight collected on behalf	75,829,830	—
Interest from cash at bank	13,976,957	14,601,270
Port construction fees paid on behalf	8,382,362	2,920,128
Commission from port construction fees	7,243,070	5,217,846
Deposits and guarantees received	1,701,650	16,647,413
Government grants received	1,648,500	5,770,293
Others	7,319,221	2,062,871
	<u>231,349,215</u>	<u>127,059,805</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (31) Notes to the Company's cash flow statement (Continued)

#### (h) Cash paid relating to other operating activities

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
General office expenses and entertainment expenses	10,207,093	6,470,650
Intermediary service fee	5,580,199	7,464,957
Purchases of goods paid on behalf	—	8,937,564
Railway freight paid on behalf	—	7,094,176
Others	5,178,465	11,265,105
	<b>20,965,757</b>	<b>41,232,452</b>

#### (i) Cash received relating to other investing activities

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Loans repayment received from related parties	2,592,100,000	60,000,000
Repayment of construction materials for the subsidiary	45,208,911	—
	<b>2,637,308,911</b>	<b>60,000,000</b>

#### (j) Cash paid relating to other investing activities

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Loans provided to related parties	1,922,100,000	425,000,000
Construction expenditures paid on behalf of related parties	—	2,751,587
Construction expenditures paid on behalf of subsidiaries	—	27,202,441
	<b>1,922,100,000</b>	<b>454,954,028</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (31) Notes to the Company's cash flow statement (Continued)

#### (k) Cash payments relating to other financing activities

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Repayment of the principal and interest to finance lease	3,450,546	—
Payment to Qingdao Port Group	—	417,577,939
Payment for shares issue expenses	—	13,009,480
	<u>3,450,546</u>	<u>430,587,419</u>

### (32) 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).

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (32) Related parties and related party transactions (Continued)

#### (c) Related party transactions

##### (i) Pricing policies

The transaction between the Company and related parties is based on mutually agreed price and settlement terms between both parties in the process of general business. Rental from and to related parties are negotiated by both parties. Interest rate of deposits in related parties and loans acquired from related parties is determined by both parties with reference to the corresponding PBOC benchmark interest rate.

##### (ii) Purchase of goods and receiving of services

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
QDOT	261,844,681	302,870,055
China Marine Bunker Qingdao	47,003,832	58,905,402
Qingdao Port Engineering	43,471,095	164,188,977
QDP Logistics	39,529,714	149,815,732
DMT	27,821,261	21,286,535
Huaneng Qingdao	12,099,404	12,800,381
Datang Port	8,812,115	9,993,326
Ocean Shipping Repair	7,502,857	7,050,050
Technology Company	7,354,629	665,115
Hongyu Hotel	4,341,498	3,146,999
Qingdao Port Properties	3,401,240	—
Gangrong Storage	3,240,963	2,476,305
Tongze Trading	1,989,393	2,157,833
Svitzer Towage	1,277,040	1,235,940
Others	4,208,332	4,091,853
	<b>473,898,054</b>	<b>740,684,503</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (32) Related parties and related party transactions (Continued)

#### (c) Related party transactions (Continued)

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

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
QDP Logistics	77,234,583	46,639,548
Dongjiakou IMC Logistics	76,156,204	25,803,814
Qingdao Ocean Shipping Agency	34,726,638	26,704,966
Qingdao Shihua	17,672,757	10,380,961
QQCT	15,942,925	9,165,345
QDOT	12,755,525	12,135,172
Svitzer Towage	11,538,242	11,561,321
DMT	9,092,414	11,024,543
COSCO Shipping Lines Qingdao	5,918,045	1,267,192
Binzhou Port QDP International Terminal	5,453,532	4,544,756
QQCTN	4,662,296	5,598,009
West United	4,057,579	2,170,203
Datang Port	4,057,396	3,925,722
QQCTU	3,664,952	2,585,847
Ganghua Logistics	2,311,781	1,735,122
Gangrong Storage	2,265,141	6,040,362
Qingdao Port Group	2,026,130	2,057,417
Mercuria Oil Terminal	1,568,589	5,706,369
QDP Investment Group	1,164,061	297,774
Weifang Port Lianhua	1,157,938	—
Evergreen Container	1,130,301	241,990
QQCTUA	1,090,137	870,987
Qingdao Port Properties	1,016,046	807,101
China Marine Bunker Qingdao	871,237	479,137
Mercuria Logistics	835,830	699,009
Lianjie Logistics	769,535	610,231
Others	7,748,449	9,421,121
	<b>306,888,263</b>	<b>202,474,019</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (32) Related parties and related party transactions (Continued)

#### (c) Related party transactions (Continued)

##### (iv) Provision of construction services

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
QDOT	18,731,034	—
QQCT	3,752,138	—
QQCTN	3,731,272	104,138,465
Qingdao Port Group	2,781,943	3,908,513
Datang Port	1,817,585	—
QQCTU	1,728,153	—
DMT	1,575,068	—
Mercuria Oil Terminal	1,360,011	11,119,903
Technology Company	550,070	—
Qingdao Port Engineering	311,809	3,643,592
Weifang Port Lianhua	—	16,319,189
Lianhua Pipeline	—	6,847,509
Qingdao Shihua	—	1,208,988
Others	462,685	849,034
	<b>36,801,768</b>	<b>148,035,193</b>

##### (v) Sales of port machinery and other machineries

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
QQCT	66,189,464	19,974,021
QDP Investment Group	62,365,855	294,872
QQCTN	18,548,419	47,562,458
QDOT	7,252,934	32,791,534
West United	5,024,446	—
Mercuria Oil Terminal	—	8,114,530
Others	3,090,744	2,670,879
	<b>162,471,862</b>	<b>111,408,294</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (32) Related parties and related party transactions (Continued)

#### (c) Related party transactions (Continued)

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

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
QDOT	67,025,044	58,263,664
QQCT	53,215,753	59,458,543
QQCTN	17,170,949	519,106
West United	6,628,180	5,993,101
Lianhua Pipeline	6,003,245	4,074,740
QQCTUA	5,487,214	6,475,843
QDP Logistics	4,340,076	6,298,120
Qingdao Shihua	4,422,090	4,272,254
Lianjie Logistics	4,276,396	3,929,317
Svitzer Towage	4,189,950	4,102,109
Tongze Trading	3,817,661	24,527
Mercuria Oil Terminal	3,500,384	2,969,567
QQCTU	3,466,056	3,467,024
DMT	2,681,736	3,091,541
Qingdao Port Engineering	2,644,678	1,480,160
Tongbao Shipping	2,244,181	1,317,822
QD International Cruise	2,131,607	72,912
Evergreen Container	2,089,562	1,966,986
Shenzhouxing Cargo Agency	2,036,545	231,784
Mercuria Logistics	1,604,509	1,643,739
Eimskip Coldchain	1,204,495	1,536,191
Orient Container	1,040,108	1,071,788
QDP Investment Group	924,725	616,466
Haiwan Liquid Chemical	806,856	793,808
Qingdao Port Properties	775,064	822,982
Lianhua Logistic	676,874	—
Huaneng Qingdao	603,331	810,200
Lianrong Logistics	566,021	111,341
Technology Company	535,949	432,736
Others	3,920,520	3,886,740
	<b>210,029,759</b>	<b>179,735,111</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (32) Related parties and related party transactions (Continued)

#### (c) Related party transactions (Continued)

##### (vii) Rental income

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
QQCT	114,147,961	114,541,092
Qingdao Shihua	20,247,709	20,157,617
QQCTU	4,995,656	605,180
Evergreen Container	4,736,201	17,143
Lianjie Logistics	4,412,433	4,412,434
Orient Container	3,615,238	2,841,102
Eimskip Coldchain	2,850,798	2,619,048
Jiefeng Logistics	2,696,855	—
Binzhou Port QDP International Terminal	2,520,928	2,136,652
Qingdao Port Properties	2,186,277	—
Bonded Logistics Centre	2,104,344	2,076,189
Lianrong Logistics	2,037,133	1,653,349
QQCTN	1,906,723	1,382,547
West United	1,801,773	245,714
QDOT	89,744	6,050,916
Lianxin Logistics	—	5,164,247
Others	2,585,329	1,472,550
	<b>172,935,102</b>	<b>165,375,780</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (32) Related parties and related party transactions (Continued)

#### (c) Related party transactions (Continued)

##### (viii) Payment for operating lease rental

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Qingdao Port Group	38,218,648	33,901,103
QDP Investment	1,146,569	1,146,569
Others	274,286	451,497
	<u>39,639,503</u>	<u>38,823,955</u>

##### (ix) Port management income collected on behalf by related parties

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Qingdao Shihua	65,451,983	55,353,147
QQCT	38,194,215	41,511,747
QQCTU	12,803,967	14,755,408
QQCTN	5,737,394	362,813
QDOT	4,052,216	3,707,594
West United	2,969,006	2,951,149
QQCTUA	2,518,676	2,978,432
	<u>131,727,457</u>	<u>121,620,290</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (32) Related parties and related party transactions (Continued)

#### (c) Related party transactions (Continued)

##### (x) Entrusted construction projects on behalf

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Amount paid on behalf -		
Qingdao Port Group	—	21,267,286
Qingdao Shihua	—	13,030,471
QQCTN	—	9,757,126
	<u>—</u>	<u>44,054,883</u>
	<u>—</u>	<u>44,054,883</u>
Amount received -		
Qingdao Port Group	—	31,033,380
Qingdao Shihua	—	19,397,446
QQCTN	—	12,372,582
	<u>—</u>	<u>62,803,408</u>
	<u>—</u>	<u>62,803,408</u>

##### (xi) Finance lease and borrowings

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Finance lease and loan received-		
Qingdao Leasing	55,405,466	—
Qingdao Finance	52,000,000	—
	<u>107,405,466</u>	<u>—</u>
Loans provided -		
QDOT	600,000,000	—
QQCTN	438,000,000	—
Dongying Port Lianhua	300,000,000	—
Lianhua Pipeline	200,000,000	365,000,000
Mercuria Logistics	120,000,000	40,000,000
DMT	110,000,000	—
Datang Port	85,000,000	—
Haiwan Liquid Chemical	69,100,000	—
Qingdao Leasing	—	20,000,000
	<u>1,922,100,000</u>	<u>425,000,000</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (32) Related parties and related party transactions (Continued)

#### (c) Related party transactions (Continued)

##### (xii) Interest

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Interest income -		
Mercuria Logistics	33,972,594	4,047,956
Lianhua Pipeline	23,098,369	14,957,023
QDOT	16,654,491	10,602,359
QQCTN	16,651,140	9,968,029
Mercuria Oil Terminal	15,771,095	15,858,229
Qingdao Finance	15,560,640	7,455,639
QQCTU	12,691,431	13,762,677
QQCT	12,266,103	—
Dongying Port Lianhua	4,029,285	—
Haiwan Liquid Chemical	1,333,199	—
Others	1,152,024	866,624
	<b>153,180,371</b>	<b>77,518,536</b>
Interest expense -		
Qingdao Finance	2,901,824	408,097
Qingdao Leasing	2,634,895	—
	<b>5,536,719</b>	<b>408,097</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (32) Related parties and related party transactions (Continued)

#### (c) Related party transactions (Continued)

##### (xiii) Purchase of assets

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Technology Company	6,171,269	—
QDP Investment	—	156,370,500
QQCT	—	18,080,920
Eimskip Coldchain	—	5,421,751
	<u>6,171,269</u>	<u>179,873,171</u>

##### (xiv) Amounts collected and paid on behalf of related parties

Amounts collected and paid on behalf related parties regarding to early retirement and supplemental retirement benefits are set out in Note 10(5)(q).

##### (xv) Advance payment of construction materials for the subsidiary

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Mercuria Logistics	40,490,748	23,566,441
Mercuria Oil Terminal	—	3,636,000
	<u>40,490,748</u>	<u>27,202,441</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (32) Related parties and related party transactions (Continued)

#### (d) Receivables from and payables to related parties

##### (i) Notes receivable and accounts receivable

Notes receivable-

	30 June 2018 (Unaudited)		31 December 2017	
	Amount	Provision for bad debts	Amount	Provision for bad debts
DMT	5,028,859	—	—	—
Yuntai Logistics	—	—	4,610,000	—
	<u>5,028,859</u>	<u>—</u>	<u>4,610,000</u>	<u>—</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (32) Related parties and related party transactions (Continued)

#### (d) Receivables from and payables to related parties (Continued)

##### (i) Notes receivable and accounts receivable (Continued)

Accounts receivable-

	30 June 2018 (Unaudited)		31 December 2017	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QDOT	93,808,518	(5,831,177)	122,271,935	(6,376,062)
QDP Investment Group	64,980,439	(3,250,747)	6,634,270	(331,713)
Mercuria Oil Terminal	29,873,310	—	30,385,471	—
DMT	26,022,613	—	36,462,934	—
QDP Logistics	25,756,423	—	9,688,238	—
Dongjiakou IMC Logistics	24,516,473	(1,225,824)	5,513,568	(275,678)
QQCT	17,060,492	(853,025)	17,017,753	(859,925)
QQCTN	15,442,968	(772,148)	318,451,145	(15,922,557)
West United	8,270,558	(483,528)	12,055,203	(627,760)
QQCTU	8,051,147	(404,857)	4,589,623	(235,509)
Qingdao Shihua	7,496,908	(374,845)	4,718,777	(235,939)
Weifang Port Lianhua	5,734,572	—	5,434,300	—
Lianjie Logistics	5,483,883	—	959,731	—
Lianhua Pipeline	4,516,214	—	3,407,642	—
Qingdao Port Engineering	3,815,383	—	5,960,100	—
Mercuria Logistics	3,685,690	—	3,852,009	—
Bonded Logistics Centre	3,183,294	—	5,536,729	—
Jiefeng Logistics	2,829,531	—	82,316	—
Datang Port	2,813,570	—	836,525	—
Eimskip Coldchain	2,549,449	—	—	—
Qingdao Port Properties	2,373,546	—	34,540	—
COSCO Shipping				
Lines Qingdao	1,617,468	(80,873)	—	—
QQCTUA	1,526,607	(76,330)	1,198,529	(62,551)
Tongze Trading	1,409,437	—	1,952,170	—
Qingdao Port Group	748,137	(37,407)	2,346,494	(117,325)
Haiwan Liquid Chemical	95,096	(4,755)	11,485,841	(574,292)
Others	3,635,850	(162,097)	4,019,594	(130,557)
	<b>367,297,576</b>	<b>(13,557,613)</b>	<b>614,895,437</b>	<b>(25,749,868)</b>
	<b>372,326,435</b>	<b>(13,557,613)</b>	<b>619,505,437</b>	<b>(25,749,868)</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (32) Related parties and related party transactions (Continued)

#### (d) Receivables from and payables to related parties (Continued)

##### (ii) Advance to suppliers

	30 June 2018 (Unaudited)	31 December 2017
Qingdao Port Group	1,530,476	—
Technology Company	322,000	322,000
DMT	306,175	—
Tongze Trading	—	1,150,000
Others	60,000	550,457
	<u>2,218,651</u>	<u>2,022,457</u>

##### (iii) Other receivables

##### Interests receivable-

	30 June 2018 (Unaudited)	31 December 2017
Qingdao Finance	5,861,945	11,350,265
QQCTN	1,216,528	696,667
Mercuria Oil Terminal	987,528	1,079,889
Lianhua Pipeline	915,695	765,938
Dongying Port Lianhua	514,583	—
QQCT	292,917	1,306,250
QQCTU	166,354	1,028,333
QDOT	—	741,000
Others	653,125	354,931
	<u>10,608,675</u>	<u>17,323,273</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (32) Related parties and related party transactions (Continued)

#### (d) Receivables from and payables to related parties (Continued)

##### (iii) Other receivables (Continued)

Dividends receivable-

	30 June 2018 (Unaudited)	31 December 2017
QDP Logistics	282,755,891	—
Qingwei Container	5,237,520	—
	<b>287,993,411</b>	<b>—</b>

Provision of loans -

	30 June 2018 (Unaudited)		31 December 2017	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QQCTU	—	—	50,000,000	(750,000)

Others -

	30 June 2018 (Unaudited)		31 December 2017	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Qingdao Port Engineering	43,732,666	—	43,579,654	—
Mercuria Logistics	29,999,957	—	73,639,621	—
Dongjiakou IMC Logistics	7,154,891	(357,745)	2,606,329	(130,316)
West United	6,822,611	(341,131)	5,250,575	(262,529)
QDP Logistics	5,320,552	—	1,600,800	—
QQCTU	4,157,612	(209,381)	3,680,100	(934,005)
QD International Cruise	3,218,118	(160,906)	—	—
Xin Dong Fang Container	3,097,126	(256,062)	3,097,126	(154,856)
Culture Media	1,241,943	—	11,968	—
Binzhou Port QDP				
International Terminal	792,143	(39,607)	1,971,652	(98,583)
QDOT	644,133	(32,207)	221,715,115	(11,085,756)
Mercuria Oil Terminal	—	—	1,090,800	—
Others	910,576	(99,176)	3,104,669	(59,579)
	<b>107,092,328</b>	<b>(1,496,215)</b>	<b>361,348,409</b>	<b>(12,725,624)</b>
	<b>405,694,414</b>	<b>(1,496,215)</b>	<b>428,671,682</b>	<b>(13,475,624)</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (32) Related parties and related party transactions (Continued)

#### (d) Receivables from and payables to related parties (Continued)

##### (iv) Long-term receivables

	30 June 2018 (Unaudited)		31 December 2017	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Lianhua Pipeline	1,065,000,000	—	865,000,000	—
Mercuria Oil Terminal	700,000,000	—	700,000,000	—
QQCTN	438,000,000	(10,950,000)	440,000,000	(11,000,000)
Dongying Port Lianhua	300,000,000	—	—	—
QQCT	222,000,000	(2,220,000)	900,000,000	(9,000,000)
Mercuria Logistics	160,000,000	—	200,000,000	—
Datang Port	115,000,000	—	30,000,000	—
DMT	110,000,000	—	—	—
QQCTU	—	—	675,000,000	(16,875,000)
QDOT	—	—	520,000,000	(13,000,000)
	<b>3,110,000,000</b>	<b>(13,170,000)</b>	<b>4,330,000,000</b>	<b>(49,875,000)</b>

##### (v) Short-term borrowings

	30 June 2018 (Unaudited)	31 December 2017
Qingdao Finance	<b>101,993,844</b>	<b>315,000,000</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (32) Related parties and related party transactions (Continued)

#### (d) Receivables from and payables to related parties (Continued)

##### (vi) Notes payable and accounts payable

Notes payable-

	30 June 2018 (Unaudited)	31 December 2017
Tongze Trading	36,494,659	55,241,372
QDOT	6,000,000	13,000,000
	<u>42,494,659</u>	<u>68,241,372</u>

Accounts payable-

	30 June 2018 (Unaudited)	31 December 2017
Tongze Trading	158,457,536	103,860,006
QDOT	133,241,136	152,943,878
QDP Logistics	54,836,498	52,534,275
Qingdao Port Engineering Technology Company	18,053,265	18,198,887
Qingdao Port Group	10,286,740	698,637
Huaneng Qingdao	3,055,268	23,147
China Marine Bunker Qingdao	407,268	5,607,864
Others	—	2,677,500
	<u>2,081,390</u>	<u>1,455,579</u>
	<u>380,419,101</u>	<u>337,999,773</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (32) Related parties and related party transactions (Continued)

#### (d) Receivables from and payables to related parties (Continued)

##### (vii) Other payables

Other payables-

	30 June 2018 (Unaudited)	31 December 2017
Qingdao Port Engineering Technology Company	158,138,077	116,522,696
QQCTN	46,325,563	43,520,404
QDP Investment Group	34,419,006	30,558,855
QDP Logistics	14,892,653	29,258,654
Port Engineering Design Institute	1,210,153	1,205,708
United Shipping Agency	889,800	889,800
Tongze Trading	500,000	500,000
Qingdao Port Properties	390,227	6,243,606
QDP Investment Real Estate	7,381	1,491,000
Bonded Logistics Centre	600	932,906
Others	—	834,831
	<b>1,385,891</b>	<b>1,880,029</b>
	<b>258,159,351</b>	<b>233,838,489</b>

Interest payables-

	30 June 2018 (Unaudited)	31 December 2017
Qingdao Finance	123,250	409,021
	<b>258,282,601</b>	<b>234,247,510</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (32) Related parties and related party transactions (Continued)

#### (d) Receivables from and payables to related parties (Continued)

##### (viii) Advances from customers

	30 June 2018 (Unaudited)	31 December 2017
QQCT	212,443,585	197,421,375
Qingdao Shihua	21,110,000	2,220,000
Orient Container	3,796,000	—
QQCTN	2,882,744	2,518,940
Qingdao Port Properties	2,181,500	—
Lianrong Logistics	1,736,017	—
Ganghua Logistics	—	3,747,711
Qingdao Port Group	—	2,345,044
Others	1,764,706	1,451,512
	<u>245,914,552</u>	<u>209,704,582</u>

##### (ix) Contract liabilities

	30 June 2018 (Unaudited)	31 December 2017
Qingdao Port Group	1,740,682	—
COSCO Shipping Lines Qingdao	614,400	—
Others	172,739	—
	<u>2,527,821</u>	<u>—</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)  
(All amounts in RMB Yuan unless otherwise stated)

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

### (32) Related parties and related party transactions (Continued)

#### (d) Receivables from and payables to related parties (Continued)

##### (x) Cash at bank and on hand

	30 June 2018 (Unaudited)	31 December 2017
Qingdao Finance	<u>5,231,687,198</u>	<u>4,225,670,769</u>

##### (xi) Other non-current liabilities

	30 June 2018 (Unaudited)	31 December 2017
QQCT	2,914,482,872	3,013,193,560
QQCTN	51,638,270	52,897,740
QQCTU	15,532,953	16,138,133
	<u>2,981,654,095</u>	<u>3,082,229,433</u>

##### (xii) Current portion of non-current liabilities

	30 June 2018 (Unaudited)	31 December 2017
Qingdao Leasing	<u>25,667,935</u>	<u>1,500,480</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (32) Related parties and related party transactions (Continued)

#### (d) Receivables from and payables to related parties (Continued)

##### (xiii) Long-term payables

	30 June 2018 (Unaudited)	31 December 2017
Qingdao Leasing	92,624,487	62,163,660

#### (e) Commitments in relation to related parties

Except for the Port Facilities in Qianwan port area leased out to QQCT, and dock basin and oil transfer arm leased to QQCTN, QQCTU and Qingdao Shihua stated in Note 6(29), the commitments in relation to related parties contracted for but not yet necessary to be recognised on the balance sheet by the Company as at the balance sheet date are as follows:

##### Leases

	30 June 2018 (Unaudited)	31 December 2017
- Lessee		
Qingdao Port Group	37,842,000	—
Svitzer Towage	7,366,667	9,750,000
	45,208,667	9,750,000

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (32) Related parties and related party transactions (Continued)

#### (e) Commitments in relation to related parties (Continued)

- Lessor

	30 June 2018 (Unaudited)	31 December 2017
QQCT	388,185,000	415,445,000
Qingdao Shihua	20,050,000	—
Evergreen Container	6,224,833	36,000
Binzhou Port QDP International Terminal	5,580,000	6,498,000
Lianjie Logistics	4,633,055	—
QQCTU	4,610,000	—
Orient Container	3,796,000	—
Jiefeng Logistics	2,850,000	—
Lianxin Logistics	2,750,000	3,750,000
West United	2,407,861	—
Bonded Logistics Centre	2,198,750	—
Lianrong Logistics	1,736,017	—
Ocean Shipping Repair	1,125,000	1,125,000
QQCTUA	915,000	—
QQCTN	615,000	—
Pilot Station	403,912	—
Micro Lending Company	303,750	—
Qingdao Financial Controlling	252,500	—
Eimskip Coldchain	159,733	12,375,000
Technology Company	122,700	—
	<b>448,919,111</b>	<b>439,229,000</b>

### (33) Investment commitments

Introduction of other significant investment commitments is set out in Note 11(3).