



秦皇岛港股份有限公司
QINHUANGDAO PORT CO., LTD.*

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

Stock Code : 3369

2018

INTERIM REPORT

*For identification purposes only





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CORPORATE INFORMATION

OFFICIAL NAME OF THE COMPANY

秦皇島港股份有限公司

ENGLISH NAME OF THE COMPANY

QINHUANGDAO PORT CO., LTD.*

LEGAL REPRESENTATIVE

Mr. CAO Ziyu (曹子玉)

BOARD OF DIRECTORS

(1) Executive Directors

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

(2) Non-executive Directors

Mr. LI Jianping (李建平)
Ms. XIAO Xiang (肖湘)

(3) Independent Non-executive Directors

Ms. ZANG Xiuqing (臧秀清)
Mr. HOU Shujun (侯書軍)
Mr. CHEN Ruihua (陳瑞華)
Mr. XIAO Zuhe (肖祖核)

BOARD COMMITTEES

(1) Audit Committee

Ms. ZANG Xiuqing (臧秀清) (*Chairwoman*)
Ms. XIAO Xiang (肖湘)
Mr. XIAO Zuhe (肖祖核)

(2) Remuneration and Appraisal Committee

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

(3) Nomination Committee

Mr. CHEN Ruihua (陳瑞華) (*Chairman*)
Mr. LI Jianping (李建平)
Ms. ZANG Xiuqing (臧秀清)

(4) Strategy Committee

Mr. CAO Ziyu (曹子玉) (*Chairman*)
Mr. YANG Wensheng (楊文勝)
Ms. XIAO Xiang (肖湘)
Mr. HOU Shujun (侯書軍)
Mr. CHEN Ruihua (陳瑞華)

SUPERVISORY COMMITTEE

(1) Supervisors

Mr. MENG Bo (孟博)
Mr. BU Zhouqing (卜周慶)
Ms. BIAN Yingzi (卞英姿)

(2) Employee Representative Supervisors

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

* For identification purpose only

CORPORATE INFORMATION

COMPANY SECRETARY

Mr. ZHANG Nan (張楠)

AUTHORIZED REPRESENTATIVES

Mr. MA Xiping (馬喜平)

Mr. ZHANG Nan (張楠)

AUDITORS

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Central, Hong Kong.

REGISTERED ADDRESS

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HEADQUARTERS

35 Haibin Road, Qinhuangdao,
Hebei Province, the PRC.

PRINCIPAL PLACE OF BUSINESS

35 Haibin Road, Qinhuangdao,
Hebei Province, the PRC.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

22nd Floor, World-Wide House,
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PRINCIPAL BANKERS

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

H SHARE REGISTRAR IN HONG KONG

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www.portqhd.com

STOCK CODE

3369

MANAGEMENT DISCUSSION AND ANALYSIS

(I) INDUSTRY OVERVIEW

(1) General Situation

In the first half of 2018, the PRC's economy maintained stable growth with continuous optimization and upgrade of economic structure and significant growth of new momentum, which showed an overall steady upward trend. The GDP recorded a growth rate of 6.8%, and has been growing within a mid-high range of 6.7% to 6.9% for twelve consecutive quarters.

(2) Overview of Port Industry in the PRC

In the first half of 2018, the transportation business in major ports of China operated in a stable manner, both port cargo throughput and cargo throughput of foreign trade continued to grow, and the container throughput grew at a faster pace. According to the statistics from the Ministry of Transport of the PRC, during the period from January to June 2018, the throughput of cargoes in ports above designated size in China reached 6,542 million tonnes, representing an increase of 2.4% as compared with the corresponding period in 2017, of which, coastal ports recorded throughput of 4,579 million tonnes, representing a year-on-year increase of 4.3% as compared with the corresponding period in 2017.

For coal business, affected by the robust demand of electricity from industrial sector, high temperature, replacement of fossil fuel with electricity and other relevant factors, power generation continued to grow at a fast pace, and the increase in demand of coal driven by the economic fundamentals was better than expected. In the first half of the year, the capacity cut policy in coal industry gradually shifted to orderly release of advanced capacity of coal production, which led to the increase in both supply and demand in the market. In the first half of the year, the raw coal production of the enterprises above designated size reached 1,700 million tonnes, representing a year-on-year increase of 3.9%, the import volume of coal reached 150 million tonnes, representing a year-on-year increase of 9.9%. The domestic traded coal shipped and foreign traded coal unloaded amounted to 430 million tonnes in aggregate, representing a year-on-year increase of 1.47%; of which, the domestic traded coal shipped amounted to 370 million tonnes, representing a year-on-year increase of 1.3%; and the foreign traded coal unloaded amounted to 60 million tonnes, representing a year-on-year increase of 2.5%.

For iron ore, the situation of steel industry in China continued to improve with increase in daily average production volume of crude steel in major steel enterprises. In the first half of the year, the production volume of crude steel in China amounted to 451 million tonnes, representing a year-on-year increase of 6.0%, and the amount of imported iron ores and concentrates was 531 million tonnes, representing a year-on-year decrease of 1.6%, which showed a slowdown in growth. The sufficient supply of iron ores in steel factories in China led to high level of inventory of iron ores at the ports. Demand of imported iron ores remained sluggish due to the ongoing implementation of capacity cut in steel industry. As such, the amount of unloaded iron ores at the ports remained largely the same as that in the corresponding period of last year with unloaded imported iron ores of 470 million tonnes, representing a year-on-year decrease of 0.1%.

For crude oil, in the first half of the year, the production output of crude oil in China amounted to 94 million tonnes, representing a year-on-year decrease of 2.0%, the processed crude oil reached 300 million tonnes, representing a year-on-year increase of 8.9%. Among the major refined oils, the production volume of gasoline, kerosene and diesel recorded year-on-year growth of 6.0%, 15.0% and 1.7%, respectively. The overall throughput of crude oil at coastal ports decreased, the crude oil transportation market remained stable, and the refined oil transportation market improved.

(Source: Ministry of Transport, National Bureau of Statistics, National Development and Reform Commission website, website of the General Administration of Customs of the PRC and Shanghai Shipping Exchange)

MANAGEMENT DISCUSSION AND ANALYSIS

(II) RESULTS OF OPERATION AND FINANCIAL PERFORMANCE

(1) Revenue

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

During the Reporting Period, the revenue of the Group amounted to RMB3,512,323 thousand, representing an increase of RMB118,694 thousand or 3.50% as compared with the revenue of RMB3,393,629 thousand in the corresponding period in 2017. Such increase was achieved mainly attributable to firstly, the recovery of coal operating rates; secondly, the year-on-year increase in the revenue led by the increase in throughput in the subsidiaries Cangzhou Mineral Port and Caofeidian Coal Port; thirdly, the year-on-year decrease in the revenue of the subsidiary Cangzhou Bohai due to the ban on coal transportation and the disposal of container handling business during the corresponding period of the previous year.

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

	For the six months ended 30 June					
	2018 Revenue (RMB'000)	Percentage of total revenue (%)	2017 Revenue (RMB'000)	Percentage of total revenue (%)	Increase/ (decrease) (RMB'000)	Increase/ (decrease) (%)
Dry bulk	3,225,070	91.82	3,080,459	90.77	144,611	4.69
– Coal	2,648,986	75.42	2,462,060	72.55	186,926	7.59
– Metal ores	576,084	16.40	618,399	18.22	(42,315)	(6.84)
Oil and liquefied chemicals	29,581	0.84	33,352	0.98	(3,771)	(11.31)
Container	40,657	1.16	62,032	1.83	(21,375)	(34.46)
General and other cargoes	71,452	2.04	94,957	2.80	(23,505)	(24.75)
Others	145,563	4.14	122,830	3.62	22,733	18.51
Total	3,512,323	100.00	3,393,629	100.00	118,693	3.50

(2) Operating Costs

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

During the Reporting Period, the operating costs of the Group amounted to RMB1,970,965 thousand, representing a decrease of RMB128,001 thousand or a decrease of 6.10% as compared with the operating costs of RMB2,098,966 thousand in the corresponding period in 2017. Such decrease was mainly attributable to the year-on-year decrease in the labour cost of the Group and the fact that the environmental protection and sewage charges were no longer included in the operating cost after being replaced with environmental protection tax in 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

(3) Gross Profit Margin

During the Reporting Period, the gross profit of the Group amounted to RMB1,541,358 thousand, representing an increase of RMB246,695 thousand or 19.05% as compared with the gross profit of RMB1,294,663 thousand in the corresponding period in 2017. The gross profit margin of the Group was 43.88% for the Reporting Period, representing a year-on-year increase of approximately 5.73 percentage points as compared with 38.15% in the corresponding period in 2017. Such increase was mainly due to the year-on-year increase in the revenue and year-on-year decrease in operating cost, resulting in the situation that the increase in gross profit was greater than the increase in revenue.

(4) Segment Analysis (Business Review)

During the Reporting Period, the Group achieved a total cargo throughput of 191.43 million tonnes, representing an increase of 2.58 million tonnes or 1.37%, as compared with the throughput of 188.85 million tonnes in the corresponding period in 2017. The throughputs generated from each of the ports which we operate are as follows:

	For the six months ended 30 June					
	2018 Throughput (million tonnes)	Percentage of total throughput (%)	2017 Throughput (million tonnes)	Percentage of total throughput (%)	Increase/ (decrease) (million tonnes)	Increase/ (decrease) (%)
Qinhuangdao Port	117.44	61.35	117.54	62.24	(0.10)	(0.09)
Caofeidian Port	43.17	22.55	39.47	20.90	3.70	9.37
Huanghua Port	30.82	16.10	31.84	16.86	(1.02)	(3.20)
Total	191.43	100.00	188.85	100.00	2.58	1.37

During the Reporting Period, the Group achieved a cargo throughput of 117.44 million tonnes in Qinhuangdao Port, representing a decrease of 0.10 million tonnes or 0.09% from 117.54 million tonnes for the corresponding period in 2017. The decrease was mainly due to the fact that as required by the national policy of environmental protection, the production and transportation of upstream cargoes and port operation were subject to more stringent control, and the operation efficiency of ports was affected by the frequent adverse sea conditions, which led to the year-on-year decrease in cargo throughput of Qinhuangdao Port.

The Group achieved a cargo throughput of 43.17 million tonnes in Caofeidian Port, representing an increase of 3.70 million tonnes or an increase of 9.37% from 39.47 million tonnes for the corresponding period in 2017. The increase was mainly due to the significant increase in coal throughput of Caofeidian Coal Port, a non-wholly owned subsidiary of the Company, which was included in the statistics of total throughput.

The Group achieved a cargo throughput of 30.82 million tonnes in Huanghua Port, representing a decrease of 1.02 million tonnes or a decrease of 3.20% from 31.84 million tonnes for the corresponding period in 2017. The decrease was mainly due to the fact that (i) affected by the policy of prohibition of coal transfer by truck, the shipment of coal from Huanghua Port under the Group decreased significantly; and (ii) affected by the policy of environmental protection, the production activities of steel enterprises in the hinterland of Huanghua Port were stopped or curtailed, which led to the decrease in demand for metal ores.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	For the six months ended 30 June					
	2018		2017		Increase/ (decrease) (million tonnes)	Increase/ (decrease) (%)
	Throughput (million tonnes)	Percentage of total throughput (%)	Throughput (million tonnes)	Percentage of total throughput (%)		
Dry bulk	176.70	92.30	175.88	93.13	0.82	0.47
– Coal	122.35	63.91	115.65	61.24	6.70	5.79
– Metal ore	54.35	28.39	60.22	31.89	(5.87)	(9.75)
Oil and liquefied chemicals	1.22	0.64	1.58	0.83	(0.36)	(22.78)
Container	9.44	4.93	7.10	3.76	2.34	32.96
General and other cargoes	4.07	2.13	4.30	2.28	(0.23)	(5.35)
Total	191.43	100.00	188.85	100.00	2.58	1.37

(i) Dry bulk cargoes handling services

Our dry bulk cargoes handling services mainly include coal and metal ores handling services. During the Reporting Period, the Group recorded a total dry bulk throughput of 176.70 million tonnes, representing an increase of 0.82 million tonnes or an increase of 0.47% from 175.88 million tonnes for the corresponding period in 2017.

During the Reporting Period, the Group achieved a total coal throughput of 122.35 million tonnes, representing an increase of 6.70 million tonnes or 5.79% from 115.65 million tonnes for the corresponding period in 2017. Such increase was mainly due to the fact that the coal throughput of Caofeidian Coal Port, a subsidiary of the Company, recorded a higher increase and the throughput was consolidated into the throughput data.

During the Reporting Period, the Group achieved a total metal ores throughput of 54.35 million tonnes, representing a decrease of 5.87 million tonnes or a decrease of 9.75% from 60.22 million tonnes for the corresponding period in 2017. Such decrease was mainly due to the fact that the steel enterprise in the hinterland of the Group stopped and limited its production because of environment protection policies and that stopped production and relocation of steelworks in the hinterland of Qinhuangdao Port resulted in decrease in ore demand.

(ii) Oil and liquefied chemicals handling services

During the Reporting Period, the Group recorded a total oil and liquefied chemicals throughput of 1.22 million tonnes, representing a decrease of 0.36 million tonnes or a decrease of 22.78% from 1.58 million tonnes for the corresponding period in 2017. The decrease was mainly due to the fact that the stopped production and maintenance of the relevant enterprises in the port hinterland of the Group caused larger impact on the import volume of crude oil.

MANAGEMENT DISCUSSION AND ANALYSIS

(iii) Container services

During the Reporting Period, the Group recorded a total container throughput of 663,838 TEU, equivalent to a throughput of 9.44 million tonnes, representing increases in the number of containers handled and throughput of 88,204 TEU and 2.34 million tonnes, respectively, (i.e. 15.32% and 32.96%, respectively) as compared with the number of containers handled and throughput of 575,634 TEU and 7.10 million tonnes for the corresponding period in 2017, respectively. Such increase was mainly due to the fact that the Group cooperated with shipping and railway companies to develop remote resources, further develop railway trains regarding such as lump coal, actively expand international sea-to-rail link project, and added domestic and foreign trade routes to promote continuous growth of containers throughput.

(iv) General cargoes handling services

During the Reporting Period, the Group recorded a total throughput of general and other cargoes of 4.07 million tonnes, representing a decrease of 0.23 million tonnes or 5.35% from 4.30 million tonnes for the corresponding period in 2017. The decrease in general cargoes handling throughput was mainly due to the decrease in demand for imports and exports of relevant enterprises in the port hinterland of the Group and more intense competition in resources with neighboring ports.

(v) Ancillary port services and value-added services

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

(5) Tax and Surcharges

During the Reporting Period, the tax and surcharges of the Group amounted to RMB173,026 thousand, representing an increase of RMB124,419 thousand or 255.97% as compared with RMB48,607 thousand for the corresponding period in 2017. Such increase was mainly attributable to the fact that the environmental protection and sewage charges was included in the tax and surcharges after replacing it with environmental protection tax in 2018.

(6) Administrative Expenses

During the Reporting Period, our total administrative expenses amounted to RMB346,135 thousand, representing a decrease of RMB48,645 thousand or 12.32% from RMB394,780 thousand for the corresponding period in 2017. Such decrease was mainly attributable to the year-on-year decrease in the labour cost of the Group.

(7) Financial Costs

During the Reporting Period, our financial costs amounted to RMB160,828 thousand, representing a decrease of RMB11,450 thousand or a decrease of 6.65% from RMB172,278 thousand for the corresponding period in 2017. Such decrease was mainly attributable to the fact that the year-on-year decrease in the amount of loans of the Group led to a decrease in interest expenses and a year-on-year increase in net foreign exchange gain.

MANAGEMENT DISCUSSION AND ANALYSIS

(8) Impairment Loss of Asset and Impairment Loss of Credit

Since January 1, 2018, the impairment losses of financial instrument of the Group have been reclassified from the impairment losses of asset to the impairment losses of credit. During the Reporting Period, the impairment losses of the asset and the impairment losses of credit of the Group amounted to RMB40,176 thousand in total, representing an increase of RMB32,724 thousand or an increase of 439.13% as compared with 7,452 thousand for the corresponding period in 2017. Such increase was mainly attributable to firstly, the losses of the provision for impairment losses on fixed assets and inventories caused by the resurrecting of mineral ores on shares and the termination of mineral ones subsidiary; secondly, the recovery of accounts receivable for provision for bad debts in previous years.

(9) Other Income

During the Reporting Period, other income of the Group amounted to RMB18,688 thousand, representing a decrease of RMB28,925 thousand or 60.75% from RMB47,613 thousand for the corresponding period in 2017. The decrease was mainly attributable to receiving benefits and employment subsidies in previous year.

(10) Investment Income

During the Reporting Period, our investment income amounted to RMB78,583 thousand, representing a decrease of RMB3,786 thousand or a decrease of 4.60% from RMB82,369 thousand for the corresponding period in 2017. Such decrease was mainly attributable to firstly, the Group's recognition of investment income from disposal of Jinji Container for the corresponding period in 2017; secondly, the year-on-year increase in the recognized investment income from associates and joint ventures; thirdly, the year-on-year increase in the interest income from wealth management product.

(11) Gain on Disposal of Assets, Other Income and Net Non-operating Revenue and Expenses

During the Reporting Period, our gain on disposal of assets, other income and net non-operating revenue and expenses amounted to RMB12,336 thousand, representing an increase of RMB17,786 thousand or an increase of 326.35% from RMB-5,450 thousand for the corresponding period in 2017. The increase was mainly attributable to the increase in net income from disposal and sale of assets of the Group.

(12) Income Tax Expense

Income tax expense of the Group increased by RMB98,098 thousand to RMB272,505 thousand for the Reporting Period from RMB174,407 thousand for the corresponding period in 2017, and the effective income tax rate of the Group increased to 29.27% for the Reporting Period from 21.91% for the corresponding period in 2017, which was mainly due to the effect of the increase in the newly deductible tax losses unconfirmed by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

(13) Net Profit

Net profit of the Group for the Reporting Period amounted to RMB658,352 thousand, representing an increase of RMB36,680 thousand or 5.90% from RMB621,672 thousand for the corresponding period in 2017. Our net profit attributable to owners of the parent Company for the Reporting Period amounted to RMB732,048 thousand, representing an increase of RMB115,009 thousand or 18.64% from RMB617,039 thousand for the corresponding period in 2017.

During the Reporting Period, net profit margin of the Group was 18.74%, representing an increase of 0.42 percentage points from 18.32% for the corresponding period in 2017.

(14) Earnings Per Share

Earnings per Share are calculated by dividing the net profit attributable to owners of the parent Company for the Reporting Period by the weighted average number of ordinary Shares in issue during the Reporting Period. Earnings per Share of the Group for the Reporting Year amounted to RMB0.1310, representing an increase of 6.76% from RMB0.1227 for the corresponding period in 2017. Please refer to Note V-48 to the financial statements for the calculation of earnings per Share.

(15) Capital Structure, Cash Flows and Financial Resources

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

During the Reporting Period, net cash flows generated from operating activities amounted to RMB1,620,500 thousand, representing an increase of RMB122,273 thousand or 8.16% as compared with RMB1,498,227 thousand for the corresponding period in 2017. Such increase was mainly resulted from the increase in the revenue of the Group during the Reporting Period.

During the Reporting Period, net cash flows generated from investing activities amounted to RMB632,231 thousand, representing an increase of RMB696,074 thousand or 1,090.29% as compared with RMB-63,843 thousand for the corresponding period in 2017. Such decrease was mainly resulted from the year-on-year decrease in the payment of the projects and additional investment on joint and associate ventures.

During the Reporting Period, net cash flows from financing activities amounted to RMB-922,819 thousand, representing a decrease of approximately RMB914,180 thousand as compared with RMB-8,639 thousand for the corresponding period in 2017. Such increase was mainly attributable to the year-on-year decrease in borrowings of the Group and the year-on-year increase in distribution of dividends.

Due to the above reasons, as at 30 June 2018, the Group held a balance of cash and cash equivalents of approximately RMB2,331,500 thousand, representing a decrease of RMB236,996 thousand or 9.23% from RMB2,568,496 thousand as at 30 June 2017.

Due to the above reasons, as at 30 June 2018, the gearing ratio (total liabilities divided by total assets) of the Group was 41.93%, representing a decrease of 7.03 percentage points as compared with the gearing ratio of 48.96% as at 30 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	30 June 2018 (RMB'000)	30 June 2017 (RMB'000)
Net cash flow generated from operating activities	1,620,500	1,498,227
Net cash flow generated from investing activities	632,231	(63,843)
Net cash flow generated from financing activities	(922,819)	(8,639)
Net increase in cash and cash equivalents	1,332,353	1,418,690
Cash and cash equivalents at the beginning of period	999,147	1,149,806
Cash and cash equivalents at the end of period	2,331,500	2,568,496

(16) Exchange Rate Risks

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

(17) Bank Loans and Other Borrowings

As at 30 June 2018, the details of the Group's bank loans and other borrowings are set out in Notes V-17, V-24 and V-25 to the financial statements in this report.

(18) Pledge of Assets and Contingent Liabilities

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

(19) Capital Commitment

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

(20) Management of Working Capital

	30 June 2018	30 June 2017
Current ratio	0.87	0.85
Quick ratio	0.79	0.72
Turnover days of trade receivables	4.77	8.10
Turnover days of trade payables	23.29	12.18

As at 30 June 2018, the Group's current ratio and quick ratio were approximately 0.87 and 0.79, respectively, representing increases as compared with the current ratio of 0.85 and quick ratio of 0.72 as at 30 June 2017. The turnover days of trade receivables for the Reporting Period was 4.77 days and the turnover days of trade payables was 23.29 days, representing a decrease of 3.33 days and an increase of 11.11 days, respectively, as compared with 8.10 days and 12.18 days for the corresponding period in 2017. The above indicators were improved as compared with those for the corresponding period of 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

(21) Overview of Major Investments

As at the date of this report, the Company intends to increase its capital contribution to Cangzhou Crude Oil Stevedoring Co. by instalment with the cap amount of RMB551 million. The specific timing and scale of the contribution will be determined in the shareholders' general meeting of Cangzhou Crude Oil Stevedoring Co. with reference to the progress of the project. It is expected that the Company will continue to hold 65% of shareholding of Cangzhou Crude Oil Stevedoring Co. upon the Capital Increase. The Company will make further announcements on the progress and development of the Capital Increase in due course in accordance with the requirements of relevant laws and regulations (including the Listing Rules) and fulfill the necessary compliance requirements. For details, please refer to the announcement of the Company dated 29 March.

(22) Material Acquisition and Disposal

During the Reporting Period, there was no material acquisition and disposal by the Group.

(23) Future Plans Relating to Material Investment or Capital Assets

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

(III) PROSPECTS IN THE SECOND HALF OF 2018

It is expected that the PRC's economy will maintain its growth within a reasonable range in the second half of the year. Consolidating the existing achievements, the Group will continue to tap its potential, strengthen market development and achieve stable operation of the Group.

Coal business:

The Group will continue to play the role of the main hub port and assume the responsibility of ensuring the supply-and-demand, price stability of the PRC. Meanwhile, we will continue to deepen the potential of Caofeidian Coal, actively introduce high-quality customer resources, and continuously deepen market research and production details. By signing a contract of specialized site operation and quasi-liner agreement, the Group can establish a long-term mutually beneficial win-win relationship with customers and enhance the comprehensive competitiveness of the Group. The throughput is expected to remain stable.

Metal ores business:

The supply-side structural reform of the steel industry continues to deepen, and the de-capacity effect continues to emerge. The profitability of steel companies will increase; it is conducive to safeguarding the metal ore throughput of the Group. However, due to the factors including the pressure from environmental protection and major bulk of the transformation from road haulage to rail-freight transport, inventory at the ports will remain high level; it will cause some impacts on the growth of the throughput improvement. The Group will continue to increase the supply of resources, increase the collection and distribution capacity, improve production efficiency, and provide customers with better service.

MANAGEMENT DISCUSSION AND ANALYSIS

Oil and liquefied chemicals business:

The Group will continue to develop the supply of refined oil resources and actively promote the transshipment business of foreign trade of oil and LNG projects. It is expected that the relevant enterprises will resume the stopped production and transformation in the second half of the year; it will cause a positive impact on the growth of throughput.

Container business:

On the basis of the existing container sea-rail intermodal transportation business, the Group will continue to increase the development of supply resources, cooperate with railways and shipping companies, increase the capacity of sea-rail trains, and increase the frequency of routes. The Group also developed the recurrent resources of sea-rail intermodal transportation business, promoting "pendulum-styled" transportation. The throughout is expected to maintain its steady growth.

General and other cargoes business:

Despite the fact that the Group's general and other cargoes business faced the impact of the negative factors including pressures from environmental protection and competition with neighboring ports., the Group will strive to ensure the stability of the supply, continue to conduct market research and develop new type of goods. The Group actively take advantage of the railway system and strive to achieve new increments.

(IV) EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

Staff costs of the Group during the Reporting Period amounted to RMB940,856 thousand. For details of employees, remuneration policy and pension scheme of the Group, please refer to Note V-21 and V-27 to the financial statements.

OTHER INFORMATION

SHARE CAPITAL

As at 30 June 2018, the total number of shares issued of the Company amounted to RMB5,587,412,000, which was divided into 5,587,412,000 Shares with a nominal value of RMB1.00 each, including

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

Details of changes in share capital of the Company during the Reporting Period are set out in of Note V-30 to the financial statements in this report.

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

As at 30 June 2018, so far as the Directors and Supervisors of the Company are aware, other than the Directors, Supervisors and the senior management of the Company and their respective associates, the following persons had or were deemed to have an interest or short position in the Shares, underlying Shares and debentures which was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholders	Number of Shares held	Capacity in which the Shares were held	Class of Shares	Approximate percentage to the total number of relevant class of issued share capital of the Company	Approximate percentage to the total number of issued share capital of the Company	Long position/ short position
State-owned Assets Supervision & Administration Commission of the People's Government of Hebei Province	3,032,528,078 (note 1)	Interest of controlled corporation	A Shares	63.74%	54.27%	Long position
HPG	3,032,528,078 (note 1)	Beneficial owner	A Shares	63.74%	54.27%	Long position
Qinhuangdao Municipal People's Government State-owned Assets Supervision and Administration Commission	621,455,485	Beneficial owner	A Shares	13.06%	11.12%	Long position
HPG	66,388,500 (Note 2)	Interest of controlled corporation	H Shares	8.00%	1.19%	Long position

OTHER INFORMATION

Name of Shareholders	Number of Shares held	Capacity in which the Shares were held	Class of Shares	Approximate percentage to the total number of relevant class of issued share capital of the Company	Approximate percentage to the total number of issued share capital of the Company	Long position/ short position
HPG (H.K.) Limited	66,388,500 (Note 2)	Beneficial owner	H Shares	8.00%	1.19%	Long position
Fosun Holdings Limited	44,839,500 (Note 3)	Interest of controlled corporation	H Shares	5.40%	0.80%	Long position
Fosun International Holdings Ltd.	44,839,500 (Note 3)	Interest of controlled corporation	H Shares	5.40%	0.80%	Long position
Fosun International Limited	44,839,500 (Note 3)	Interest of controlled corporation	H Shares	5.40%	0.80%	Long position
GUO Guangchang (郭廣昌)	44,839,500 (Note 3)	Interest of controlled corporation	H Shares	5.40%	0.80%	Long position
China Shipping (Group) Company	44,296,500 (Note 4)	Interest of controlled corporation	H Shares	5.34%	0.79%	Long position
China Shipping (H.K.) Holdings Co., Ltd.	44,296,500 (Note 4)	Interest of controlled corporation	H Shares	5.34%	0.79%	Long position
China Shipping Ports Development Co., Ltd.	44,296,500 (Note 4)	Beneficial owner	H Shares	5.34%	0.79%	Long position

Notes:

1. State-owned Assets Supervision & Administration Commission of the People's Government of Hebei Province is the controlling shareholder of HPG, therefore, was deemed to be interested in 3,032,528,078 Shares of the Company under the SFO;
2. HPG is the controlling shareholder of HPG (HK) Limited, therefore, was deemed to be interested in 66,388,500 Shares of the Company under the SFO;
3. In accordance with the Disclosure of Interests Online System of the Stock Exchange, each of Mr. GUO Guangchang (郭廣昌) (being the direct controlling shareholder of Fosun International Holdings Ltd.), Fosun International Holdings Ltd. (being the direct controlling shareholder of Fosun Holdings Limited) and Fosun Holdings Limited (being the direct controlling shareholder of Fosun International Limited) was deemed to be interested in 44,839,500 Shares of the Company respectively under the SFO; and
4. Each of China Shipping (Group) Company (being the direct controlling shareholder of China Shipping (H.K.) Holdings Co., Ltd.) and China Shipping (H.K.) Holdings Co., Ltd. (being the direct controlling shareholder of China Shipping Ports Development Co., Ltd.) was deemed to be interested in 44,296,500 Shares of the Company respectively under the SFO.

Save as disclosed above, as of 30 June 2018, to the best knowledge of the Directors and Supervisors of the Company, none of other persons (other than Directors, Supervisors and senior management of the Company and their respective associates) had, or was deemed to have, any interest or short position in Shares, underlying Shares and debentures of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

OTHER INFORMATION

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

To the best knowledge of the Directors of the Company, as of 30 June 2018, none of the Directors, Supervisors or chief executives of the Company and their respective associates had, or was deemed to have, any interest or short position in Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

On 12 February 2018, Mr. NIE Yuzhong resigned as Supervisor and the Chairman of the Supervisory Committee.

On 29 March 2018, the Board appointed Mr. NIE Yuzhong as the vice president of the Company.

In the 2017 AGM held on 20 June 2018, Ms. XIAO Xiang (肖湘) was appointed as the non-executive Director; Mr. CHEN Ruihua (陳瑞華) and Mr. XIAO Zuhe (肖祖核) were appointed as independent non-executive Directors; Mr. MENG Bo (孟博) and Ms. BIAN Yingzi (卞英姿) were appointed as Supervisors. On the same date of the Board of Directors, Ms. XIAO Xiang (肖湘) was appointed as members of the Audit Committee and the Strategy Committee; Mr. CHEN Ruihua (陳瑞華) was appointed as the Chairman of the Nomination Committee and member of the Strategy Committee; Mr. XIAO Zuhe (肖祖核) was appointed as member of the Audit Committee. On the same date of the Board of Supervisors, Mr. MENG Bo (孟博) was appointed as chairman of the Supervisory Committee.

Meanwhile, the below resignations have taken effect from the date of the 2017 AGM:

- (i) Mr. MI Xianwei (米獻煒) resigned as non-executive Director, member of Audit Committee and Strategy Committee;
- (ii) Mr. LI Man Choi (李文才) resigned as independent non-executive Director and member of Audit Committee;
- (iii) Mr. ZHAO Zhen (趙振) resigned as independent non-executive Director, Chairman of the Nomination Committee and member of Strategy Committee; and
- (iv) Mr. LIU Simang (劉巴莽) resigned as Supervisor.

Changes in Directors and senior management after the Reporting Period

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

Changes in the information of Directors

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

OTHER INFORMATION

MATERIAL LITIGATION AND ARBITRATION

On 30 January 2018, Cangzhou Bohai Port, a subsidiary of the Company, received a subpoena issued by the Intermediate People's Court of Cangzhou City, Hebei Province, in which the plaintiff is China Construction Sixth Engineering Division, the defendant is Cangzhou Bohai Port, and the case is about a construction contract dispute.

China Construction Sixth Engineering Division filed a litigation with the Intermediate People's Court of Cangzhou City, Hebei Province, claiming that the project of Huanghua Port Integrated Port Information Center Building (黃驊港綜合港信息中心樓), which was built by it for Cangzhou Bohai Port from early 2010, had been completed by the end of August 2010. In this litigation, China Construction Sixth Engineering Division claims that, Cangzhou Bohai Port shall make a payment of RMB33,864,106.08 to China Construction Sixth Engineering Division for the construction of the abovementioned project and the interest for the construction fee accruing from 1 September 2010 to the actual payment date (which was RMB15,734,075 as at 28 November 2017), and that the litigation fees and property preservation fee shall be borne by Cangzhou Bohai Port.

On 28 June 2018, the Company received a civil judgment (2018 Ji 09 Min Chu No. 91) from the Intermediate People's Court of Cangzhou City, Hebei Province. The Intermediate People's Court of Cangzhou City, Hebei Province ruled that the claim of China Construction Sixth Engineering Division, the plaintiff, for the payment of construction fee and interest by Cangzhou Bohai Port has no merit and is groundless, thus handed down the following judgment:

China Construction Sixth Engineering Division's claim was dismissed and proceedings acceptance fee of RMB289,791 shall be borne by China Construction Sixth Engineering Division, the plaintiff, and any party who disagreed with the judgment may, within 15 days after the judgment has been served on it, submit a written appeal to the court, provide the photocopies thereof in the number of the other parties or in the number of representatives of the other parties, and appeal to High People's Court of Hebei Province.

In accordance with the requirements of accounting standards, the Company made a provision of RMB33.86 million to the estimated liability of the litigation in 2017. For details, please refer to the announcements dated 31 January 2018 and 29 June 2018. The bank deposits of RMB49,598,181.08 for Cangzhou Bohai Port were already legally enforced on 23 January 2018 and frozen. As of the end of the Reporting Period, the above bank deposits was still frozen.

Save as the litigation disclosed above, so far as the Directors are aware, the Company was not engaged in any other material litigations, arbitrations or claims, and no arbitration or claim of material importance was pending or threatened against the Company during the Reporting Period.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

COMPLIANCE WITH THE MODEL CODE

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

INTERIM DIVIDENDS

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

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in accordance with the provisions of Corporate Governance Code. The Audit Committee has reviewed the unaudited interim financial report of the Group for the six months ended 30 June 2018.

REVIEW REPORT

Ernst & Young Hua Ming (2018) Zhuan Zi No. 61063699_E04

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

We have reviewed the accompanying financial statements of Qinhuangdao Port Co., Ltd. and its subsidiaries, which comprise the consolidated and company balance sheets as at 30 June 2018, and the consolidated and company income statement, statement of changes in equity and statement of cash flows for the six months ended 30 June 2018, and notes to the financial statements (hereinafter referred to the "Interim Financial Statements"). Management of Qinhuangdao Port Co., Ltd. is responsible for the preparation of the Interim Financial Statements. Our responsibility is to issue a review report based on our review of the Interim Financial Statements.

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

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

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: Wang Tianqing

Beijing, the People's Republic of China

Chinese Certified Public Accountant: Zhang Yan

29 August 2018

CONSOLIDATED BALANCE SHEET

30 June 2018

RMB

Assets	Note V	30 June 2018 (unaudited)	31 December 2017
Current assets			
Cash and bank balances	1	2,637,097,718.04	1,983,285,014.18
Financial assets held for trading	2	100,057,222.22	–
Bills receivable and accounts receivable	3	299,004,484.29	413,908,521.65
Prepayments		5,574,129.93	4,638,406.01
Other receivables	4	14,715,954.24	10,373,932.26
Inventories	5	194,321,493.18	200,222,526.56
Other current assets	6	98,788,707.80	239,668,328.72
Total current assets		3,349,559,709.70	2,852,096,729.38
Non-current assets			
Available-for-sale financial assets	7	–	709,674,267.95
Long-term equity investments	8	2,697,542,552.81	2,682,297,961.17
Other equity instruments investments	9	793,450,226.31	–
Fixed assets	10	15,518,961,899.73	16,153,724,611.99
Construction in progress	11	1,234,426,411.35	1,151,479,563.41
Intangible assets	12	1,865,063,249.38	1,888,306,218.94
Long-term prepaid expenses		1,520,722.17	1,858,660.41
Deferred tax assets	13	198,370,716.74	202,160,180.82
Other non-current assets	14	118,432,229.87	133,236,678.09
Total non-current assets		22,427,768,008.36	22,922,738,142.78
Total assets		25,777,327,718.06	25,774,834,872.16

The accompanying notes of the financial statements form part of these financial statements

CONSOLIDATED BALANCE SHEET (CONTINUED)

30 June 2018

RMB

Liabilities and shareholders' equity	Note V	30 June 2018 (unaudited)	31 December 2017
Current liabilities			
Short-terms borrowings	17	900,000,000.00	1,300,000,000.00
Bills payable and account payable	18	284,831,874.69	218,205,613.84
Deposits received	19	–	522,476,557.70
Contract liabilities	20	492,026,563.03	–
Employee benefits payable	21	362,361,106.36	343,059,198.72
Taxes payable	22	122,868,093.21	101,926,736.87
Other payables	23	1,254,891,573.22	1,261,299,757.25
Non-current liabilities due within one year	24	444,824,000.00	333,924,000.00
Total current liabilities		3,861,803,210.51	4,080,891,864.38
Non-current liabilities			
Long-term borrowings	25	6,317,728,492.98	6,490,490,492.98
Long-term payable	26	239,200,000.00	239,200,000.00
Long-term employee benefits payable	27	41,243,714.06	48,654,080.25
Provisions	28	33,860,000.00	33,860,000.00
Deferred income	29	293,062,752.16	311,182,677.12
Deferred income tax liabilities	13	20,943,989.58	–
Total non-current liabilities		6,946,038,948.78	7,123,387,250.35
Total liabilities		10,807,842,159.29	11,204,279,114.73
Shareholder's equity			
Share capital	30	5,587,412,000.00	5,587,412,000.00
Capital reserve	31	5,203,519,979.32	5,203,519,979.32
Other comprehensive income	32	40,644,199.36	1,702,929.18
Special reserve	33	74,587,814.54	51,433,165.56
Surplus reserve	34	1,140,530,908.83	1,140,530,908.83
Retained profit	35	1,806,359,239.53	1,420,731,065.74
Total equity attributable to shareholders of the parent		13,853,054,141.58	13,405,330,048.63
Minority interests		1,116,431,417.19	1,165,225,708.80
Total shareholders' equity		14,969,485,558.77	14,570,555,757.43
Total liabilities and shareholders' equity		25,777,327,718.06	25,774,834,872.16

The accompanying notes of the financial statements form part of these financial statements

The financial statement have been signed by:

Legal representative:

CAO Ziyu

Person in charge of
business operation:

YANG Wensheng

Chief financial officer:

GUO Xikun

Head of accounting
department:

XIE Hui

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2018

RMB

	Note V	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Operating revenue	36	3,512,323,242.56	3,393,629,465.02
Less: Operating cost	36	1,970,965,308.99	2,098,966,001.33
Business tax and surcharges	37	173,026,198.98	48,606,875.40
Administrative expenses	38	346,135,425.24	394,780,078.02
Financial cost	39	160,827,628.06	172,277,960.70
Including: interest expense		178,122,039.27	181,136,091.45
interest income		15,447,488.00	14,825,257.60
Asset impairment loss	40	60,902,308.29	7,451,574.82
Credit impairment loss	41	(20,726,123.31)	–
Add: other income	42	18,687,644.96	47,613,120.49
Investment income	43	78,583,278.02	82,368,645.43
Including: investment income from associates and joint ventures		69,175,784.01	58,013,552.45
Gains from changes in fair value		57,222.22	–
Gains from the disposal of assets		3,852,325.15	(4,187,213.00)
Operating profits		922,372,966.66	797,341,527.67
Add: Non-operating income	44	8,727,704.91	1,816,081.11
Less: Non-operating expenses	45	243,509.85	3,078,868.05
Total profit		930,857,161.72	796,078,740.73
Less: Income tax expense	47	272,505,208.56	174,406,994.48
Net profit		658,351,953.16	621,671,746.25
Classified by business continuity			
Including: Net profit from continuing operations		658,351,953.16	621,671,746.25
Net profit from discontinued operations		–	–
Classified by ownership			
Net profit attributable to shareholders of the parent		732,047,717.79	617,038,690.18
Minority interests		(73,695,764.63)	4,633,056.07

The accompanying notes of the financial statements form part of these financial statements

CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the six months ended 30 June 2018

RMB

	Note V	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Other comprehensive income, net of tax			
Other comprehensive income attributable to shareholders of the parent, net of tax			
Other comprehensive income not to be reclassified to profit or loss			
Changes in fair value of investments in other equity instruments		(126,042,663.24)	–
Those other comprehensive income to be reclassified into profit or loss			
Other comprehensive income to be taken to profit or loss using the equity method		(15,001.80)	–
Exchange differences on foreign currency translation	32	366,344.48	(1,332,112.39)
Other comprehensive income attributable to minority shareholders, net of tax		(4,775,996.70)	–
Total comprehensive income		527,884,635.90	620,339,633.86
Including:			
Total comprehensive income attributable to shareholders of the parent		606,356,397.23	615,706,577.79
Total comprehensive income attributable to minority shareholders		(78,471,761.33)	4,633,056.07
Earnings per share	48		
Basic and diluted earnings per share		0.13	0.12

The accompanying notes of the financial statements form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

RMB

	Note V	Equity attributable to shareholders of the parent							Total shareholders' equity	
		Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profit	Sub-total reserve		Minority interests
I. Previous year's closing balance		5,587,412,000.00	5,203,519,979.32	1,702,929.18	51,433,165.56	1,140,530,908.83	1,420,731,065.74	13,405,330,048.63	1,165,225,708.80	14,570,555,757.43
Add: Changes in Accounting Policies		-	-	164,632,590.74	-	-	-	164,632,590.74	29,018,037.98	193,650,628.72
II. Current period's opening balance		5,587,412,000.00	5,203,519,979.32	166,335,519.92	51,433,165.56	1,140,530,908.83	1,420,731,065.74	13,569,962,639.37	1,194,243,746.78	14,764,206,386.15
III. Changes during the period										
(I) Total comprehensive income										
1. Net profit		-	-	-	-	-	732,047,717.79	732,047,717.79	(73,695,764.63)	658,351,953.16
2. Other comprehensive income		-	-	(125,691,320.56)	-	-	-	(125,691,320.56)	(4,775,996.70)	(130,467,317.26)
(II) Profit distribution										
1. Distribution to Shareholder	35	-	-	-	-	-	(346,419,544.00)	(346,419,544.00)	-	(346,419,544.00)
(III) Special reserve										
1. Accrual		-	-	-	37,042,283.19	-	-	37,042,283.19	1,144,713.48	38,186,996.67
2. Usage		-	-	-	(13,887,634.21)	-	-	(13,887,634.21)	(485,281.74)	(14,372,915.95)
IV. Current period's closing balance		5,587,412,000.00	5,203,519,979.32	40,644,199.36	74,587,814.54	1,140,530,908.83	1,806,359,239.53	13,853,054,141.58	1,116,431,417.19	14,969,485,558.77

The accompanying notes of the financial statements form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2018

RMB

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

The accompanying notes of the financial statements form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

RMB

	Note V	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		3,823,571,988.03	3,583,831,304.29
Cash received relating to other operating activities	49	18,213,388.02	49,719,390.97
Sub-total of cash inflows		3,841,785,376.05	3,633,550,695.26
Cash paid for goods and services		662,389,850.89	531,099,467.22
Cash paid to and on behalf of employees		935,977,422.69	1,057,298,562.46
Cash paid for all taxes		493,877,011.71	347,505,860.93
Cash paid relating to other operating activities	49	129,040,881.70	199,420,092.45
Sub-total of cash outflows		2,221,285,166.99	2,135,323,983.06
Net cash flows from operating activities	50	1,620,500,209.06	1,498,226,712.20
II. Cash flows from investing activities			
Cash received from return of investment		829,207,260.00	911,899,680.00
Cash received from investment income		67,915,617.01	1,475,785.40
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		8,932,228.32	53,661,242.28
Net cash received from disposal of subsidiaries and other business units	50	–	502,800,771.43
Cash received relating to other investing activities	49	–	14,852,700.00
Sub-total of cash inflows		906,055,105.33	1,484,690,179.11
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		124,225,747.00	642,687,180.28
Cash paid for investments		100,000,000.00	905,845,800.00
Cash paid relating to other investing activities	49	49,598,181.08	–
Sub-total of cash outflows		273,823,928.08	1,548,532,980.28
Net cash flows from investing activities		632,231,177.25	(63,842,801.17)

The accompanying notes of the financial statements form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2018

RMB

	Note V	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
III. Cash flows from financing activities			
Cash received from borrowings		390,000,000.00	1,503,954,784.48
Sub-total of cash inflows		390,000,000.00	1,503,954,784.48
Cash paid for repayments of borrowings		851,862,000.00	1,253,356,784.48
Cash paid for distribution of dividends or profits and for interest expenses		460,956,738.35	258,236,634.63
Cash paid relating to other financing activities	49	–	1,000,000.00
Sub-total of cash outflows		1,312,818,738.35	1,512,593,419.11
Net cash flows from financing activities		(922,818,738.35)	(8,638,634.63)
IV. Effect of foreign exchange rate changes on cash and Cash equivalents		2,440,234.82	(7,055,074.62)
V. Net increase in cash and cash equivalents		1,332,352,882.78	1,418,690,201.78
Add: Balance of cash and cash equivalents at the beginning of the period		999,146,654.18	1,149,805,681.56
VI. Balance of cash and cash equivalents at the end of the period	50	2,331,499,536.96	2,568,495,883.34

The accompanying notes of the financial statements form part of these financial statements

COMPANY BALANCE SHEET

30 June 2018

RMB

Assets	Note XIV	30 June 2018 (unaudited)	31 December 2017
Current assets			
Cash and bank balances		1,506,727,583.47	1,249,762,709.96
Bills receivable and accounts receivable	1	225,975,148.54	369,500,751.77
Prepayments		1,670,824.57	1,285,514.37
Other receivables		410,138.95	731,040.95
Inventories		149,873,741.98	162,967,355.89
Other current assets		334,057.12	30,638,550.66
Total current assets		1,884,991,494.63	1,814,885,923.60
Non-current assets			
Available-for-sale financial assets	2	–	562,752,357.95
Long-term equity investments	3	8,236,678,145.71	8,180,726,534.03
Investment properties	4	580,563,578.13	–
Fixed assets		4,494,018,550.97	4,757,871,272.34
Construction in progress		111,631,912.83	84,151,765.68
Intangible assets		391,548,124.23	396,678,446.95
Deferred tax assets		171,026,978.43	175,041,813.81
Other non-current assets		821,836,028.70	821,218,028.70
Total non-current assets		14,807,303,319.00	14,978,440,219.46
Total assets		16,692,294,813.63	16,793,326,143.06

The accompanying notes of the financial statements form part of these financial statements

COMPANY BALANCE SHEET (CONTINUED)

30 June 2018

RMB

Liabilities and shareholders' equity	30 June 2018 (unaudited)	31 December 2017
Current liabilities		
Short-term borrowings	760,000,000.00	1,300,000,000.00
Bills payable and accounts payable	165,488,122.77	162,595,046.29
Deposits received	–	470,419,061.59
Contract liabilities	434,566,628.90	–
Employee benefits payable	355,303,532.30	336,748,093.99
Taxes payable	84,645,856.09	100,070,951.15
Other payables	478,764,336.95	436,196,277.26
Non-current liabilities due within one year	400,000.00	400,000.00
Total current liabilities	2,279,168,477.01	2,806,429,430.28
Non-current liabilities		
Long-term payable	239,200,000.00	239,200,000.00
Long-term Employee benefits payable	40,590,788.12	48,654,080.25
Deferred income	293,062,752.16	311,182,677.12
Deferred income tax liabilities	4,452,805.04	–
Total non-current liabilities	577,306,345.32	599,036,757.37
Total liabilities	2,856,474,822.33	3,405,466,187.65
Shareholders' equity		
Share capital	5,587,412,000.00	5,587,412,000.00
Capital reserve	5,197,336,468.67	5,197,336,468.67
Special reserve	60,360,436.15	38,032,747.30
Surplus reserve	1,140,392,564.06	1,140,392,564.06
Other comprehensive income	13,358,415.14	15,001.80
Retained profits	1,836,960,107.28	1,424,671,173.58
Total shareholders' equity	13,835,819,991.30	13,387,859,955.41
Total liabilities and shareholders' equity	16,692,294,813.63	16,793,326,143.06

The accompanying notes of the financial statements form part of these financial statements

COMPANY INCOME STATEMENT

For the six months ended 30 June 2018

RMB

	Note XIV	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Revenue	5	2,652,479,851.41	2,588,938,027.55
Less: Operating costs	5	1,285,323,250.10	1,575,648,553.32
Tax and surcharges		108,464,144.58	42,187,986.43
Administrative expenses		285,624,696.66	340,751,391.87
Financial costs		12,430,785.20	43,892,165.28
Including: interest expense		23,714,991.67	49,200,563.28
interest income		9,506,631.47	11,443,796.64
Asset impairment loss		60,902,308.29	4,366,979.89
Credit impairment loss		(22,663,181.01)	–
Add: Other income		18,169,924.96	46,721,912.97
Investment income	6	64,382,804.05	60,982,814.29
Including: investment income from associates and joint ventures		64,382,804.05	58,462,814.29
Gains from changes in fair value		–	–
Gains from the disposal of assets		3,852,325.15	–
Operating profit		1,008,802,901.75	689,795,678.02
Add: Non-operating income		8,098,504.35	336,910.12
Less: Non-operating expenses		227,037.54	2,853,940.47
Total profit		1,016,674,368.56	687,278,647.67
Less: Income tax expenses		257,965,890.86	158,722,972.45
Net profit		758,708,477.70	528,555,675.22
Classified by business continuity			
Including: Net profit from continuing operations		758,708,477.70	528,555,675.22
Net profit from discontinued operations		–	–
Other comprehensive income, net of tax			
Other comprehensive income not to be reclassified into profit or loss Change of fair value of investment in other equity instruments		(121,071,727.90)	–
Other comprehensive income to be reclassified into profit or loss Other comprehensive income to be taken to profit or loss using the equity method		(15,001.80)	–
Total comprehensive income		637,621,748.00	528,555,675.22

The accompanying notes of the financial statements form part of these financial statements

COMPANY STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018 and the six months ended 30 June 2017

RMB

	For the six months ended 30 June 2018 (unaudited)						Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profit	
I. Previous year's closing balance	5,587,412,000.00	5,197,336,468.67	15,001.80	38,032,747.30	1,140,392,564.06	1,424,671,173.58	13,387,859,955.41
Add: Changes in Accounting Policies	-	-	134,430,143.04	-	-	-	134,430,143.04
II. Current period's opening balance	5,587,412,000.00	5,197,336,468.67	134,445,144.84	38,032,747.30	1,140,392,564.06	1,424,671,173.58	13,522,290,098.45
III. Changes during the period							
(I) Total comprehensive income							
1. Net profit	-	-	-	-	-	758,708,477.70	758,708,477.70
2. Other comprehensive income	-	-	(121,086,729.70)	-	-	-	(121,086,729.70)
(II) Profit distribution							
1. Distribution to Shareholder	-	-	-	-	-	(346,419,544.00)	(346,419,544.00)
(III) Special reserve							
1. Accrual	-	-	-	28,844,461.17	-	-	28,844,461.17
2. Usage	-	-	-	(6,516,772.32)	-	-	(6,516,772.32)
IV. Current period's closing balance	5,587,412,000.00	5,197,336,468.67	13,358,415.14	60,360,436.15	1,140,392,564.06	1,836,960,107.28	13,835,819,991.30

	For the six months ended 30 June 2017 (unaudited)					Total shareholders' equity
	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained profits	
I. Current period's opening balance	5,029,412,000.00	4,500,194,317.96	17,813,244.99	1,044,835,905.99	844,031,850.93	11,436,287,319.87
II. Changes during the period						
(I) Total comprehensive income	-	-	-	-	528,555,675.22	528,555,675.22
(II) Special reserve						
1. Accrual	-	-	21,126,900.52	-	-	21,126,900.52
2. Usage	-	-	(14,334,399.37)	-	-	(14,334,399.37)
III. Current period's closing balance	5,029,412,000.00	4,500,194,317.96	24,605,746.14	1,044,835,905.99	1,372,587,526.15	11,971,635,496.24

The accompanying notes of the financial statements form part of these financial statements

COMPANY STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

RMB

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
I. Cash flows from operating activities		
Cash received from sale of goods or rendering of services	2,941,425,285.15	2,751,227,608.72
Cash received relating to other operating activities	12,571,956.82	43,970,960.05
Sub-total of cash inflows	2,953,997,241.97	2,795,198,568.77
Cash paid for goods and services	428,937,221.18	323,899,634.42
Cash paid to and on behalf of employees	828,596,411.34	955,096,428.12
Cash paid for all taxes	443,663,201.43	292,977,992.45
Cash paid relating to other operating activities	137,430,275.51	189,259,505.39
Sub-total of cash outflows	1,838,627,109.46	1,761,233,560.38
Net cash flows from operating activities	1,115,370,132.51	1,033,965,008.39
II. Cash flows from investing activities		
Cash received from return of investment	763,838,360.00	379,887,680.00
Cash received from investment income	56,000,000.00	-
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	8,931,824.63	367,263.86
Cash received relating to other investing activities	-	14,852,700.00
Sub-total of cash inflows	828,770,184.63	395,107,643.86
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	35,786,790.99	205,979,230.95
Cash paid for investments	45,500,000.00	300,000,000.00
Sub-total of cash outflows	81,286,790.99	505,979,230.95
Net cash flows from investing activities	747,483,393.64	(110,871,587.09)

The accompanying notes of the financial statements form part of these financial statements

COMPANY STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2018

RMB

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
III. Cash flows from financing activities		
Cash received from borrowings	250,000,000.00	800,000,000.00
Sub-total of cash inflows	250,000,000.00	800,000,000.00
Cash paid for repayments of borrowings	790,000,000.00	670,000,000.00
Cash paid for distribution of dividends or profits and for interest expenses	304,005,263.29	49,379,781.95
Cash paid relating to other financing activities	-	1,000,000.00
Sub-total of cash outflows	1,094,005,263.29	720,379,781.95
Net cash flows from financing activities	(844,005,263.29)	79,620,218.05
IV. Effect of foreign exchange rate changes on cash and cash equivalents	1,954,970.65	(5,950,595.36)
V. Net increase in cash and cash equivalents	1,020,803,233.51	996,763,043.99
Add: Balance of cash and cash equivalents at the beginning of the period	385,924,349.96	289,518,004.63
VI. Balance of cash and cash equivalents at the end of the period	1,406,727,583.47	1,286,281,048.62

The accompanying notes of the financial statements form part of these financial statements

NOTES TO FINANCIAL STATEMENTS

30 June 2018

RMB

I. GENERAL INFORMATION OF THE GROUP

Qinhuangdao Port Co., Ltd.* (the “Company”) is a joint stock company with limited liability incorporated in Hebei province, the People’s Republic of China on 31 March 2008. The H shares of the Company were listed on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) on 12 December 2013 and the Shanghai Stock Exchange (“SSE”) on 16 August 2017 respectively. The office address and headquarter of the Company is located at 35 Haibin Road, Qinhuangdao, Hebei Province.

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

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

The financial statement has been approved by the board of directors of the Company by resolutions on 29 August 2018.

The consolidation scope of these consolidated financial statements is determined on the basis of control, and the consolidation scope is consistent with that of previous year during the accounting period for the six months ended 30 June 2018.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These interim financial statements have been prepared in accordance with “Accounting Standards for Business Enterprises No. 32 – Interim Financial Reporting” issued by the Ministry of Finance. Except for changes in accounting policies disclosed in Note III-30, the accounting policies adopted in the interim financial statements are consistent with the accounting policies adopted when the Group prepared the financial statements for the year ended 2017. These interim financial statements should be read together with the financial statements of the Group for the year ended 2017.

As of 30 June 2018, the Group’s current liabilities amounted to approximately RMB512 million. In preparing the financial statements, the management have considered the Group’s sources of liquidity, and believe that adequate funding is available to fulfil the Group’s debt obligations and capital expenditure requirements. Accordingly, the financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

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

NOTES TO FINANCIAL STATEMENTS

30 June 2018

RMB

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

1. Statement of Compliance with Accounting Standards for Business Enterprises

These financial statements are prepared in accordance with the Accounting Standards for Business Enterprises and present fairly and fully the financial position of the Company and the Group as at 30 June 2018 and their financial performance and cash flows for the accounting period for the six months ended 30 June 2018.

2. Accounting Period

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

3. Functional Currency

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

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

NOTES TO FINANCIAL STATEMENTS

30 June 2018

RMB

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4. Business Combinations

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

Business combinations under common control

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

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

Business combinations not under common control

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

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

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

NOTES TO FINANCIAL STATEMENTS

30 June 2018

RMB

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. Consolidated Financial Statements

The consolidation scope of consolidated financial statements is determined on the basis of control, including the financial statements for the accounting period for the six months ended 30 June 2018 of the Company and all of its subsidiaries. A subsidiary is an entity (including an enterprise, a separable part of an investee, a structural body controlled by the Company, etc.) that is controlled by the Company.

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

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

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

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

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

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

6. Classifications of Joint Arrangement and Joint Operations

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

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

NOTES TO FINANCIAL STATEMENTS

30 June 2018

RMB

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

7. Cash and Cash Equivalents

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

30 June 2018

RMB

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial Instruments

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

Recognition and derecognition of financial instruments

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

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

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

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

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

Classification and measurement of financial assets

Financial assets are, on initial recognition, classified into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets and derivatives designated as effective hedging instruments. A financial asset is recognised initially at fair value. However, if the initial recognition of accounts receivable does not include significant financing components or does not consider financing components not exceeding one year, it shall be confirmed at the transaction price.

In the case of financial assets at fair value through profit or loss, relevant transaction costs are directly charged to profit or loss for the current period; transaction costs relating to financial assets of other categories are included in the amount initially recognised.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

RMB

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial Instruments (continued)

Classification and measurement of financial assets (continued)

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

Debt instrument investment measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost if the financial assets meet the following conditions: The Group's business model for managing the financial assets is to collect contractual cash flows; the contractual terms of the financial assets stipulate that cash generated on a specific date. The flow is only the payment of the principal and the interest based on the outstanding principal amount. For such financial assets, the effective interest method is used for subsequent measurement according to the amortized cost. The gains or losses arising from amortization or impairment are recognised in profit or loss.

Debt instrument investment at fair value through other comprehensive income

Financial assets that meet the following conditions are classified as financial assets at fair value through other comprehensive income: the financial asset is held by the Group within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, such assets are measured at fair value. The discount or premium is amortized using the effective interest method and recognized as interest income or expense. A gain or loss arising from a change in the fair value of such asset is recognized as other comprehensive income, except that impairment losses and foreign exchange gains or losses resulted from monetary financial assets are recognized as profit or loss for the current period, until the financial asset is derecognized or determined to be impaired, at which time the accumulated gain or loss previously recognized is transferred to profit or loss for the current period. Dividends or interest income relating to such asset are recognized in profit or loss for the current period.

Equity instrument investment at fair value through other comprehensive income

The Group irrevocably chooses to designate certain non-tradable equity instrument investments as financial assets that are measured at fair value through other comprehensive income. The related dividend income is only recognised in profit or loss for the period. When the changes in fair value are recognised as other comprehensive income until the financial asset is derecognised, the cumulative gain or loss is transferred to retained earnings.

Financial assets measured at fair value through profit or loss

The above-mentioned financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. For such financial assets, fair value is used for subsequent measurement, and all changes in fair value are recognised in profit or loss.

All affected financial assets are reclassified, if and only if the Group changes its business model for managing financial assets.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

RMB

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial Instruments (continued)

Classification and measurement of financial liabilities

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

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated upon initial recognition at fair value through profit or loss.

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

Other financial liabilities

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

Offsetting of financial instruments

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

Impairment of financial assets

On the basis of expected credit losses, the Group performs the impairment treatment on financial assets and contract assets measured at amortized cost and confirms the loss provision.

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial Instruments (continued)

Impairment of financial assets (continued)

Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received by the Group at the original effective interest rate, that is, the present value of all cash shortages. Among them, financial assets that have been credit-depleted by the Group or purchased by the Group shall be discounted according to the actual interest rate adjusted by the financial assets.

For receivables that do not contain significant financing components and contractual assets, the Group uses a simplified measurement method to measure loss provision based on the amount of expected credit losses equivalent to the entire duration of the life.

For receivables with significant financing components and contractual assets, the Group uses a simplified measurement method to measure loss provisions based on the amount of expected credit losses equivalent to the entire duration of the life.

Except for the credit risk characteristics which are significantly different from other receivables that are based on individual items, the Group assesses the expected credit losses of receivables based on the ageing combination.

The Group considers all reasonable and evidenced information, including forward-looking information, when assessing expected credit losses.

When the Group no longer reasonably expects to be able to fully or partially recover the contractual cash flows of financial assets, the Group directly writes down the carrying amount of the financial assets.

Transfers of financial assets

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

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

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

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Inventories

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

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

The Group adopts perpetual inventory system.

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

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

11. Long-term Equity Investments

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

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

NOTES TO FINANCIAL STATEMENTS

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Long-term Equity Investments (continued)

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Long-term Equity Investments (continued)

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

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

12. Fixed Assets

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

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

NOTES TO FINANCIAL STATEMENTS

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Fixed Assets (continued)

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

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

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

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

13. Construction in Progress

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

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

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Assets related to Contract Costs

The Group's assets related to contract costs include contract acquisition costs and contract performance costs. Based on its liquidity, it is separately presented in inventory, other current assets and other non-current assets.

If the Group expects to recover the incremental cost of the contract, it is recognized as an asset as the contract acquisition cost, unless the asset amortization period does not exceed one year.

The cost of the contract for the performance of the contract, if it does not apply to the scope of the relevant standards of inventory, fixed assets or intangible assets, and meets the following conditions, is recognized as an asset as the contract performance cost:

- (1) The cost is directly related to a current or anticipated contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), clear costs incurred by the customer, and other costs incurred solely for the contract;
- (2) This cost increases the resources that the Company will use to fulfill its performance obligations in the future;
- (3) The cost is expected to be recovered.

The Group amortizes the assets related to the contract costs on the same basis as the revenue recognition related to the assets, which is recognised in profit or loss.

For assets related to contract costs whose carrying amount is higher than the following two differences, the Group will make provision for impairment on the excess and recognize the asset impairment losses:

- (1) Remaining considerations expected to obtain by the enterprises by the transfer of goods related to the asset;
- (2) Estimated costs that will occur in order to transfer the relevant commodity.

The factors of impairment in the previous period have changed, so that if the difference between (1) minus (2) is higher than the book value of the asset, it should be transferred back to the original provision for impairment of assets, and included in the current profit or loss, but the reversed book value of the subsequent asset shall not exceed the book value of the asset on the date of reversal, assuming no provision for impairment.

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Borrowing Costs

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

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

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

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

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

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

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

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

16. Intangible Assets

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

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. Intangible Assets (continued)

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

The useful lives of the intangible assets are as follows:

	Useful life
Land use rights	40-50 years
Sea area use rights	50 years
Software	5-10 years

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

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

17. Asset Impairment

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

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

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

NOTES TO FINANCIAL STATEMENTS

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Asset Impairment (continued)

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

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

18. Long-term Prepaid Expenses

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

19. Employee Benefits

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

Short-term employee benefits

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

Post-employment benefits (defined contribution plans)

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

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Employee Benefits (continued)

Resignation benefits

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

Other long-term employee benefits

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

20. Provisions

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

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

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

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Revenues

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

Revenue from the rendering of services

The service contract between the Group and the customers usually includes performance obligations such as port operations services. The Group conducts an analysis based on the terms of the contract and the substance of the transaction. The comprehensive judgment service is performed within a certain period of time or at a certain point of time. For the performance obligations to be fulfilled within a period of time, the Group recognizes the revenue based on the progress of the performance, except for the progress of the performance that cannot be reasonably determined. The Group determines the progress of the performance of the services provided in accordance with the input method. For the progress of the performance that cannot be reasonably determined, when the performance of the Group is expected to be compensated, the revenue is recognized based on the amount of costs incurred until the progress of the performance can be reasonably determined. For performance obligations performed at a certain point of time, the Group recognises the revenue when the customer obtains relative control right of the service.

Revenue from the sales of goods

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

Lease income

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

Interest income

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

NOTES TO FINANCIAL STATEMENTS

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Government Grants

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

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

Government grants, relating to income and applied towards reimbursement of related costs or losses in subsequent periods, are recognised as deferred income and taken to profit or loss for the period in which the related costs are recognised. Government grants, applied towards reimbursement of related costs or losses already incurred, are directly recognised in profit or loss for the current period.

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

23. Income Tax

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

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

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

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Income Tax (continued)

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

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

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

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

At the balance sheet date, deferred income tax assets and liabilities are measured at the tax rates that are estimated to apply to the period when the asset is recovered or the liability is settled, according to the requirements of tax laws.

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

When all of the following conditions are satisfied simultaneously, the deferred income tax assets and deferred income tax liabilities are listed as the net amount after offsetting: the Group have a legal right to settle current tax assets and liabilities on a net basis; the deferred taxes are related to the same tax payer within the Group and the same taxation authority, or related to different tax payers but during the period when each of the significant deferred income tax assets and deferred income tax liabilities are reversed and the tax payer involved intends to settle the current income tax asset and current income tax liability on a net basis, or simultaneously obtain assets and pay off the debts.

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Lease

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

In the case of being the lessee of an operating lease

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

In the case of being the lessor of an operating lease

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

25. Discontinued Operations

A discontinued operation is a separately identified component that either has been disposed of or is classified as held for sale, and meets 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;
- (3) is a subsidiary acquired exclusively with a view to resale.

26. Profit Distribution

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

27. Production Safety Expense

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

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Fair Value Measurement

The Group measures its financial assets held for trading and non-listed Equity instrument investment at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement of the related assets and liabilities at fair value is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market is accessible by the Group as at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly; Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization at the end of each reporting period.

29. Significant Accounting Judgments and Estimates

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

Judgment

During the application of the Group's accounting policies, the management made the following judgments that had an significant impact on the amounts confirmed in the financial statements:

NOTES TO FINANCIAL STATEMENTS

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Significant Accounting Judgments and Estimates (continued)

Judgment (continued)

The business model

The classification of financial assets at initial recognition depends on the business model of the Group's management of financial assets. When determining whether the business model is still likely to be based on the collection of contractual cash flows, the Group needs to analyze the sale of financial assets before the maturity date. It also requires judgment whether the sale is accidental or whether the value of the sale is low.

The contractual cash flow characteristics

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial assets. When it is necessary to judge whether the contractual cash flow is only the payment of the principal and the interest based on the outstanding principal, the correction of the time value of the currency is included. In the assessment, it is necessary to judge whether there is a significant difference compared with the benchmark cash flow, and for the financial assets including the prepayment characteristics, it is necessary to judge whether the fair value of the early repayment characteristics is very small.

Uncertainty of estimation

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

Impairment of financial instruments

The Group uses the expected credit loss model to assess the impairment of financial instruments. The application of the expected credit loss model requires significant judgments and estimations, and all reasonable and evidenced information, including forward-looking information, should be considered. In making such judgments and estimations, the Group infers the expected changes in the debtor's credit risk based on the historical repayment data in combination with economic policies, macroeconomic indicators, and industry risks.

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

The Group assesses whether there are any indication of impairment for all non-current assets other than financial assets at the balance sheet date. Non-current assets are tested for impairment when there are indicators that the carrying amount may not be recoverable. Impairment exists when the carrying amount of an asset or asset group exceeds its recoverable amount, which is the higher of its fair value less disposal costs and the present value of the future cash flows. The calculation of the fair value less disposal costs is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When present value of future cash flows calculations are undertaken, the management must estimate the expected future cash flows from the asset or asset group and choose a suitable discount rate in order to calculate the present value of those cash flows. For details, please refer to 40 of Note V. Asset impairment loss.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Significant Accounting Judgments and Estimates (continued)

Uncertainty of estimation (continued)

Deferred income tax assets

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

Useful lives and residual values of fixed assets

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

Provisions for inventory impairment

Provisions for inventory impairment is the provisions made for the inventory of which the cost is higher than the net realizable value. Given the management's judgments and estimates required for inventory impairment on the basis of definite evidence, purposes of holding the inventories, effect of post balance sheet date events and other factors, the difference between the actual outcome and original estimate as well as the change in the estimate will affect the carrying amount of inventories and provision and reversal of the provision for inventory impairment.

30. Changes in Accounting Policies

In 2017, the Ministry of Finance announced the revised "Accounting Standard for Business Enterprises No.14 – Revenue" (the "New Revenue Standard"), "Accounting Standard for Business Enterprises No.22 – Recognition and measurement for financial instruments", "Accounting Standard for Business Enterprises No.23 – Transfer of financial assets", "Accounting Standard for Business Enterprises No.24 – Hedging" and "Accounting Standard for Business Enterprises No.37 – Presentation of financial instruments" (the "New Financial Instruments Standard"). The Group began to implement the accounting treatment to the newly revised standards above from 1 January 2018. According to the convergence rules, the information for the comparable period will not be adjusted and profit or other comprehensive income will be retrospectively adjusted since the difference between the implementation of the new standards and the current standards on the first day.

NOTES TO FINANCIAL STATEMENTS

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Changes in Accounting Policies (continued)

The New Revenue Standard

The New Revenue Standard establishes a new revenue recognition model for regulating revenue generated from contracts with customers. According to the New Revenue Standard, the way in which the revenue is recognized should reflect the mode in which the entity transfers goods or services to customers. The amount of revenue should reflect the amount of consideration that the entity is expected to receive due to the transfer of such goods and services to the customer. At the same time, the New Revenue Standard also regulates the judgments and estimates required for each aspect of revenue recognition. The Group believes that the implementation of the new revenue standard has no material impact on the Group's financial statements.

The New Financial Instruments Standard

The New Financial Instruments Standard changes the classification and measurement of financial assets and requires three measurement categories: financial assets are measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Equity investments shall be measured at fair value through profit or loss. However, the Company can elect to designate equity investments measured at fair value through other comprehensive income at the date of initial application and the election is irrevocable. (Under this election, only qualifying dividends are recognized in profit or loss. Changes in fair value never reclassified to profit and loss, even if the asset is sold or otherwise derecognized.)

The New Financial Instruments Standard requires "expected credit loss" model for recognition and measurement of impairments in financial assets instead of "objective evidence of impairment" model. Expected credit loss model is applied in financial assets measured at amortized cost or fair value through other comprehensive income, loan commitments and guarantee contracts.

NOTES TO FINANCIAL STATEMENTS

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Changes in Accounting Policies (continued)

The New Financial Instruments Standard (continued)

On the first implementation date, the adjustment table that the carrying amount of the original financial assets is adjusted to be classified and measured as the revised financial assets in accordance with the revised recognition and measurement for Financial Instruments Standard is as follows:

The Group

	Note V	Carrying amount stated according to the original Financial Instrument Standard 31 December 2017	Reclassification	Remeasurement	Carrying amount stated according to the new Financial Instrument Standard 1 January 2018
Financial assets at amortised cost <i>Financial products – Other current assets</i>					
Balance stated according to the original Financial Instrument Standard		100,000,000.00	-	-	-
Less: Transferred from assets at fair value		-	100,000,000.00	-	-
Balance stated according to the new Financial Instrument Standard		-	-	-	-
Financial assets at amortised cost		100,000,000.00	(100,000,000.00)	-	-
Financial assets at fair value through other comprehensive income <i>Equity investment – Available-for-sale financial assets</i>					
Balance stated according to the original Financial Instrument Standard		709,674,267.95	-	-	-
Less: Transferred to measurement at fair value through other comprehensive income – equity instrument		-	(709,674,267.95)	-	-
Balance stated according to the new Financial Instrument Standard		-	-	-	-
<i>Equity investment – Other equity investment instrument</i>					
Balance stated according to the original Financial Instrument Standard		-	-	-	-
Add: Transferred from available-for-sale assets		-	709,674,267.95	-	-
Remeasurement: Changed from measurement at amortized cost to measurement at fair value		-	-	258,200,838.29	-
Balance stated according to the new Financial Instrument Standard		-	-	-	967,875,106.24
Financial assets at fair value through other comprehensive income	9	709,674,267.95	-	258,200,838.29	967,875,106.24
Financial assets at fair value through profit or loss <i>Financial products – Financial assets held for trading</i>					
Balance stated according to the original Financial Instrument Standard		-	-	-	-
Add: Transferred from assets at amortized cost		-	100,000,000.00	-	-
Balance stated according to The new Financial Instrument Standard		-	-	-	100,000,000.00
Financial assets at fair value through profit or loss	2	-	100,000,000.00	-	100,000,000.00
Total		809,674,267.95	-	258,200,838.29	1,067,875,106.24

NOTES TO FINANCIAL STATEMENTS

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Changes in Accounting Policies (continued)

The New Financial Instruments Standard (continued)

On the first implementation date, the adjustment table that the carrying amount of the original financial assets is adjusted to be classified and measured as the revised financial assets in accordance with the revised recognition and measurement for Financial Instruments Standards is as follows: (continued)

The Company

	Note XIV	Carrying amount stated according to the original Financial Instrument Standard 31 December 2017	Reclassification	Remeasurement	Carrying amount stated according to the new Financial Instrument Standard 1 January 2018
Financial assets at fair value through other comprehensive income					
<i>Equity investment – Available-for-sale financial assets</i>					
Balance stated according to the original Financial Instrument Standard		562,752,357.95	-	-	-
Less: Transferred to measurement at fair value through other comprehensive income – Equity instrument		-	(562,752,357.95)	-	-
Balance stated according to the new Financial Instrument Standard		-	-	-	-
<i>Equity investment – Other equity investment instrument</i>					
Balance stated according to the original Financial Instrument Standard		-	-	-	-
Add: Transferred from available-for-sale assets		-	562,752,357.95	-	-
Remeasurement: Changed from measurement at amortized cost to measurement at fair value		-	-	179,240,190.72	-
Balance stated according to the new Financial Instrument Standard		-	-	-	741,992,548.67
Financial assets at fair value through other comprehensive income	4	562,752,357.95	-	179,240,190.72	741,992,548.67

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Changes in Accounting Policies (continued)

Formats of financial statements

As required by the Notice on Revising and Circulating General Corporate Financial Statement Formats 2018 (Cai Kuai [2018] No.15), other than the changes in presentation arising from the adoption of the aforesaid New Standard on Financial Instrument and the New Standard on Revenue, "bills receivable and "accounts receivable" are classified under the new "bills receivable and accounts receivable" item; "dividend receivable" and "interest receivable" are classified under the "other receivables" item; "disposal of fixed assets" are classified under the "fixed assets" item; "bills payable" and "accounts payable" are classified under the new "bills payable and accounts payable" item; "dividends payable" and "interest payable" are classified under the "other payables" item; the "interest expenses" and "interest income" items are separated from the finance expenses item; the Group has restated the financial statements for the comparative period on a retrospective basis. The changes in accounting policies has no impact on consolidated and company net profit and shareholders' equity.

The main effects of the financial statement's retrospective restatement due to changes in accounting policies on the combined financial statement of the Company as at 31 December 2017 are as follows:

The Group

	Before changes in accounting policies 31 December 2017	Reclassification	After changes in accounting policies 1 January 2018
Assets			
Bills receivable	330,915,367.80	(330,915,367.80)	–
Accounts receivable	82,993,153.85	(82,993,153.85)	–
Bills receivable and accounts receivable	–	413,908,521.65	413,908,521.65
Interest receivable	2,508,123.00	(2,508,123.00)	–
Other receivables	7,865,809.26	2,508,123.00	10,373,932.26
Liabilities			
Accounts payable	218,205,613.84	(218,205,613.84)	–
Bills payable and accounts payable	–	218,205,613.84	218,205,613.84
Interest payable	11,080,299.21	(11,080,299.21)	–
Dividends payable	279,371,035.49	(279,371,035.49)	–
Other payables	970,848,422.55	290,451,334.70	1,261,299,757.25

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Changes in Accounting Policies (continued)

Formats of financial statements (continued)

The main effects of the financial statement's retrospective restatement due to changes in accounting policies on the combined financial statement of the Company as at 31 December 2017 are as follows (continued):

The Company

	Before changes in accounting policies 31 December 2017	Reclassification	After changes in accounting policies 1 January 2018
Assets			
Bills receivable	294,653,342.67	(294,653,342.67)	–
Accounts receivable	74,847,409.10	(74,847,409.10)	–
Bills receivable and accounts receivable	–	369,500,751.77	369,500,751.77
Liabilities			
Accounts payable	162,595,046.29	(162,595,046.29)	–
Bills payable and accounts payable	–	162,595,046.29	162,595,046.29
Interest payable	1,555,125.00	(1,555,125.00)	–
Dividends payable	279,371,035.49	(279,371,035.49)	–
Other payables	155,270,116.77	280,926,160.49	436,196,277.26

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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IV. TAXATION

1. Major Categories of Taxes and Respective Tax Rates

Value-added tax (“VAT”)	– The Group is subject to VAT at tax rate of 17% on the taxable sales before 1 May 2018. The VAT rate of the Group’s taxable income is 16% after 1 May 2018; The Group’s related port service revenues are taxable to output VAT at tax rate of 6%, and is levied after deducting deductible input VAT for the current period.
City maintenance And construction tax	– It is levied at 7% of VAT and business tax paid actually.
Enterprise income tax	– It is levied at 25% on the taxable profit, except for certain subsidiaries of the Group established in Mainland China which enjoy tax preferences. The tax rate for overseas subsidiaries is 16.5%.
Property tax	– Property tax on self-occupied properties of the Group is calculated at the applicable tax rate of 1.2% using the tax base of 70% of the initial cost of the properties; lease properties are taxable on the tax base of rental income at the applicable tax rate of 12%.
Land use tax	– It is levied in accordance with unit tax amount prescribed in the tax law based on the actual area of land used by the taxpayer.
Environmental protection tax	– Pursuant to the “Environmental Protection Tax Law of the People’s Republic of China” issued by the Ministry of Ecology and Environment of the People’s Republic of China on 17 April 2017, from 1 January, 2018, the taxable amount of the Group’s taxable pollutants shall be paid in accordance with the applicable taxable amount stipulated by the Environmental Protection Tax Law.

2. Tax Preferences

Enterprise income tax

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

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and Bank Balances

	30 June 2018 (unaudited)	31 December 2017
Cash on hand	201,426.46	480,999.47
Bank deposits	2,593,896,291.58	1,957,804,014.71
Other monetary fund	43,000,000.00	25,000,000.00
	2,637,097,718.04	1,983,285,014.18
Less: Restricted bank deposits	49,598,181.08	–
Time deposits with maturity of more than three months	256,000,000.00	984,138,360.00
Cash and cash equivalents	2,331,499,536.96	999,146,654.18

As at 30 June 2018, the Group held frozen deposits of RMB49,598,181.08 due to the pending lawsuits (31 December 2017: nil).

As at 30 June 2018, the cash and bank balances deposited overseas by the Group were equivalent to RMB61,787,081.17 (31 December 2017: RMB63,118,153.20).

Interest income earned on current deposits is calculated by using the current deposit interest rate. The deposit periods for short-term time deposits vary from 3 months to 1 year depending on the cash requirements of the Group and earn interest at the respective deposit rates.

2. Financial Assets held for Trading

	30 June 2018 (unaudited)	Recognized profit or loss for the period
Financial assets at fair value through profit or loss		
Debt instrument investments (Note)	100,057,222.22	57,222.22

Note: The Group held principal guaranteed floating-income financial products of RMB100,000,000 managed by China Minsheng Banking Co., Ltd., with the date of maturity of 24 December 2018 and expected yield of approximately 5.18%.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

3. Bills Receivable and Accounts Receivable

	30 June 2018 (unaudited)	31 December 2017
Bills receivable	198,542,897.01	330,915,367.80
Accounts receivable	113,321,200.86	117,063,250.43
	311,864,097.87	447,978,618.23
Less: Provision for bad debts	12,859,613.58	34,070,096.58
	299,004,484.29	413,908,521.65

Bills receivable

	30 June 2018 (unaudited)	31 December 2017
Commercial acceptance notes	14,948,854.00	27,040,271.00
Bank acceptance notes	183,594,043.01	303,875,096.80
	198,542,897.01	330,915,367.80

As at 30 June 2018, no bills receivable of the Group was pledged (31 December 2017: nil).

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

	30 June 2018 (unaudited)		31 December 2017	
	Derecognised	Not Derecognised	Derecognised	Not Derecognised
Bank acceptance notes	2,400,000.00	–	14,067,335.00	–

NOTES TO FINANCIAL STATEMENTS

30 June 2018

RMB

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

3. Bills Receivable and Accounts Receivable (continued)

Accounts receivable

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

An ageing analysis of the accounts receivable is as follows:

	30 June 2018 (unaudited)	31 December 2017
Within 1 year	102,660,256.78	73,087,489.98
1 to 2 years	2,046,096.29	5,134,001.94
2 to 3 years	6,222,656.71	18,001,849.80
Over 3 years	2,392,191.08	20,839,908.71
	113,321,200.86	117,063,250.43
Less: Provision for bad debts	12,859,613.58	34,070,096.58
	100,461,587.28	82,993,153.85

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

	Opening balance in the period/year	Provision in the current period/year	Reversal in the current period/year	Write-off in the current period/year	Closing balance in the period/year
For the six months ended 30 June 2018 (unaudited)	34,070,096.58	1,265,336.40	(22,475,819.40)	-	12,859,613.58
2017	25,194,510.22	11,451,034.43	(998,571.67)	(1,576,876.40)	34,070,096.58

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

3. Bills Receivable and Accounts Receivable (continued)

At 30 June 2018, the risk classification of accounts receivable is as follows:

	30 June 2018 (unaudited)			
	Balance		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage of provision (%)
Provisions for bad debts on individual basis	6,036,533.39	5	6,036,533.39	100
Provision for bad debts by credit risk characteristics group	107,284,667.47	95	6,823,080.19	6
	113,321,200.86	100	12,859,613.58	

	31 December 2017			
	Balance		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage of provision (%)
Provision for bad debts by credit risk characteristics group	111,026,717.04	95	28,033,563.19	25
Provision for bad debts that are Individually insignificant and are provided for bad debts separately	6,036,533.39	5	6,036,533.39	100
	117,063,250.43	100	34,070,096.58	

At 31 December 2017, the Group performed the impairment test in respect of single accounts receivable that was significant, and considered there was no need for the provision for bad debts separately. The Group grouped these accounts receivable and made the provision for bad debts by method of ageing analysis.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

RMB

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

3. Bills Receivable and Accounts Receivable (continued)

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

	30 June 2018(unaudited)			31 December 2017		
	Estimated carrying arising from default	Expected credit loss ratio (%)	Lifetime expected credit loss	Balance	Provision ratio (%)	Provision for bad debts
Within 1 year	102,660,256.78	4	4,310,534.04	73,087,489.98	5	3,651,458.48
1 to 2 years	1,128,079.90	34	379,905.21	2,256,657.55	10	225,665.76
2 to 3 years	2,727,379.71	50	1,363,689.86	16,465,900.80	30	4,939,770.24
Over 3 years	768,951.08	100	768,951.08	19,216,668.71	100	19,216,668.71
	107,284,667.47		6,823,080.19	111,026,717.04		28,033,563.19

For the six months ended 30 June 2018, the provision for bad debts of the Group was RMB1,265,336.40 (2017: RMB11,451,034.43) and the recovered or revised bad debts provision was RMB22,475,819.40 (2017: RMB998,571.67).

For the six months ended 30 June 2018, the Group had no accounts receivable actually written off (2017: RMB1,576,876.40).

NOTES TO FINANCIAL STATEMENTS

30 June 2018

RMB

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

3. Bills Receivable and Accounts Receivable (continued)

As at 30 June 2018, accounts receivable from the five largest customers were as follows:

	Balance (unaudited)		Provision for bad debts (unaudited)	
	Amount	Percentage of total Accounts receivable (%)	Amount	Percentage of provision (%)
China Qinhuangdao Ocean Shipping Agency Co., Ltd. (中國秦皇島外輪代理有限公司)	27,286,623.57	24.08	1,091,464.94	4
China Ocean Shipping Agency Qinhuangdao (秦皇島之海船務代理有限公司)	13,969,170.00	12.33	558,766.80	4
Qinhuangdao COSCO Shipping Container Shipping Agency Co., Ltd. (秦皇島中遠海運集裝箱船務代理有限公司)	7,467,203.56	6.59	298,688.14	4
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	6,036,533.39	5.33	6,036,533.39	100
Suizhong Tianyu Port Shipping Services Co., Ltd. (綏中天予港口船舶服務有限公司)	5,864,327.00	5.17	234,573.08	4
	60,623,857.52	53.50	8,220,026.35	

As at 31 December 2017, accounts receivable from the five largest customers were as follows:

	Balance		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage of provision (%)
China Shougang International Trade and Engineering Co. (中國首鋼國際貿易工程公司)	33,005,649.06	28.19	23,234,358.32	70
China Ocean Shipping Agency Qinhuangdao (秦皇島之海船務代理有限公司)	23,433,014.00	20.02	1,171,650.70	5
China Qinhuangdao Ocean Shipping Agency Co., Ltd. (中國秦皇島外輪代理有限公司)	16,276,742.00	13.90	813,837.10	5
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	6,036,533.39	5.16	6,036,533.39	100
Qinhuangdao COSCO Shipping Container Shipping Agency Co., Ltd. (秦皇島中遠海運集裝箱船務代理有限公司)	3,966,130.82	3.39	198,306.54	5
	82,718,069.27	70.66	31,454,686.05	

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

4. Other Receivables

	30 June 2018 (unaudited)	31 December 2017
Interest receivable	–	2,508,123.00
Financial products	–	2,508,123.00
Equity transfer consideration receivable	4,538,405.82	5,607,305.82
Deposits receivable	446,150.00	526,800.00
Utilities receivable	8,105,411.01	683.84
Others	2,790,511.88	2,411,184.38
	15,880,478.71	11,054,097.04
Less: Provision for bad debts	1,164,524.47	680,164.78
	14,715,954.24	10,373,932.26

An aged analysis of other receivables is as follows:

	30 June 2018 (unaudited)	31 December 2017
Within 1 year	10,116,443.64	8,133,930.37
1 to 2 years	5,649,037.22	148,180.33
2 to 3 years	29,492.75	–
Over 3 years	85,505.10	263,863.34
	15,880,478.71	8,545,974.04
Less: Provision for bad debts of other receivables	1,164,524.47	680,164.78
	14,715,954.24	7,865,809.26

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

4. Other Receivables (continued)

For the six months ended 30 June 2018, the changes in bad debt provision for other receivables based on the expected lifetime credit loss are as follows:

	Opening balance	Provision in the current period	Reversal in the current period	Write-off in the current period	Closing balance
Lifetime ECL	680,164.78	744,472.46	(260,112.77)	–	1,164,524.47

In 2017, the changes in bad debt provision for other receivables are as follows:

	Opening balance	Provision in the current year	Reversal in the current year	Write-off in the current year	Closing balance
Portfolio of credit risk	2,600,722.73	72,841.81	(1,993,399.76)	–	680,164.78

The provision for bad debts of other receivables is as follows:

	Opening balance in the period/year	Provision in the current period/year	Reversal in the current period/year	Write-off in the current period/year	Closing balance in the period/year
For the six months ended 30 June 2018 (unaudited)	680,164.78	744,472.46	(260,112.77)	–	1,164,524.47
2017	2,600,722.73	72,841.81	(1,993,399.76)	–	680,164.78

For the six months ended 30 June 2018, the Group made provision for bad debts of RMB744,472.46 (2017: RMB72,841.81) and made recovery or reversal of the provision for bad debt of RMB260,112.77 (2017: RMB1,993,399.76).

For six months ended 30 June 2018, the Group does not actually write-off any other receivables (2017: nil).

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

4. Other Receivables (continued)

	30 June 2018(unaudited)			
	Balance		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage of provision (%)
The provision for bad debt of assets for expected credit losses based on the characteristics portfolio of credit risk provision for bad debts with loss	15,880,478.71	100	1,164,524.47	7

	31 December 2017			
	Balance		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage of Provision (%)
Provisions for bad debts on collective basis based on credit risks characteristics	8,545,974.04	100	680,164.78	8

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

	30 June 2018 (unaudited)			31 December 2017		
	Estimated carrying arising from default	Expected credit loss ratio (%)	Lifetime expected credit loss	Balance	Provision ratio (%)	Provision for bad debts
Within 1 year	10,116,443.64	6	559,776.77	8,133,930.37	5	401,483.41
1 to 2 years	5,649,037.22	9	508,413.35	148,180.33	10	14,818.03
2 to 3 years	29,492.75	37	10,829.25	-	30	-
Over 3 years	85,505.10	100	85,505.10	263,863.34	100	263,863.34
	15,880,478.71		1,164,524.47	8,545,974.04		680,164.78

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

4. Other Receivables (continued)

As at 30 June 2018, other receivables from the five largest customers were as follows (unaudited):

	Closing balance	Percentage of total balance of other receivable (%)	Nature	Aging	Ending balance of bad debt provision
Jinji International Container Terminal Co., Ltd. (津冀國際集裝箱碼頭有限公司)	9,321,363.67	58.70	Utilities, advances of insurance	Within 1 year	515,782.33
Bohai Jin-Ji Port Investment and Development Co., Ltd. (渤海津冀港口投資發展有限公司)	4,538,405.82	28.58	Equity transfer price	1 to 2 years	408,456.52
HPG Port Engineering Co., Ltd. (河北港口集團港口工程有限公司)	308,347.83	1.94	Utilities	Within 1 year	17,061.92
Hebei Ocean Shipping Group Co., Ltd. (河北遠洋運輸集團股份有限公司)	226,060.00	1.42	Insurance claims	Within 1 year	12,508.66
Cangzhou Huanghuagang Steel Logistics Co., Ltd. (滄州黃驃港鋼鐵物流有限公司)	141,445.09	0.89	Utilities	Within 1 year	7,826.63
	14,535,622.41	91.53			961,636.06

As at 31 December 2017, other receivables from the five largest customers were as follows:

	Closing balance	Percentage of total balance of other receivable (%)	Nature	Aging	Ending balance of bad debt provision
Bohai Jin-Ji Port Investment and Development Company Limited (渤海津冀港口投資發展有限公司)	4,538,405.82	53.11	Equity transfer price	Within 1 year	226,920.29
Jinji International Container Terminal Co., Ltd. (津冀國際集裝箱碼頭有限公司)	1,446,543.02	16.93	Utilities, advances of insurance	Within 1 year	72,327.15
HPG	1,068,900.00	12.51	Equity transfer price	Within 1 year	53,445.00
HPG Port Engineering Co., Ltd. (河北港口集團港口工程有限公司)	403,548.00	4.72	Other	Within 1 year	20,177.40
Qinhuangdao City Construction Trading Center (秦皇島市建設交易中心)	184,300.00	2.16	Deposits	Over 4 years	184,300.00
	7,641,696.84	89.43			557,169.84

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

5. Inventories

	30 June 2018 (unaudited)			31 December 2017		
	Balance	Provision for Impairment	Carrying amount	Balance	Provision for Impairment	Carrying amount
Materials	63,360,163.42	4,409,741.30	58,950,422.12	68,813,086.75	-	68,813,086.75
Fuels	7,824,336.74	-	7,824,336.74	10,370,084.33	-	10,370,084.33
Spare parts	126,893,927.07	3,434,499.26	123,459,427.81	116,956,141.46	-	116,956,141.46
Low-cost consumables	3,226,084.88	25,899.89	3,200,184.99	3,753,579.50	-	3,753,579.50
Finished goods	887,121.52	-	887,121.52	329,634.52	-	329,634.52
	202,191,633.63	7,870,140.45	194,321,493.18	200,222,526.56	-	200,222,526.56

Change in allowance for inventories is as follows:

For the six months ended 30 June 2018 (unaudited)

	Opening balance	Provision for the period	Decrease during the period	Closing balance
Materials	-	4,409,741.30	-	4,409,741.30
Spare parts	-	3,434,499.26	-	3,434,499.26
Low-cost consumables	-	25,899.89	-	25,899.89
	-	7,870,140.45	-	7,870,140.45

Note: According to the 19th meeting of the third board of directors of the Company held on 30 May 2018, the ore branch of the Company was cancelled. The Company made a provision for the inventory of the ore branch of RMB7,870,140.45.

In 2017, the Group did not make and reverse the provision for decline in value of inventories.

6. Other Current Assets

	30 June 2018 (unaudited)	31 December 2017
Deductible input VAT	86,713,875.43	127,555,422.28
Prepaid enterprise income tax	12,074,832.37	12,112,906.44
Financial products	-	100,000,000.00
	98,788,707.80	239,668,328.72

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

7. Available-for-sale Financial Assets

	31 December 2017		
	Carrying balance	Impairment provision	Carrying amount
Available-for-sale equity instruments	709,674,267.95	–	709,674,267.95

At 31 December 2017 the equity investments held by the Group in unlisted companies in the PRC are measured at cost. The details are as follows:

Investee	Shareholding rate	31 December 2016	Increase in the period	Decrease in the period	31 December 2017	Cash dividend for the period
SDIC Caofeidian Port Co., Ltd. (國投曹妃甸港口有限公司)	15.00%	498,000,000.00	–	–	498,000,000.00	–
Qinhuangdao Ruigang Coal Logistics Co., Ltd. (秦皇島睿港煤炭物流有限公司)	17.00%	34,000,000.00	–	–	34,000,000.00	–
Cangzhou Huanghuagang Steel Logistics Co., Ltd. (滄州黃驊港鋼鐵物流有限公司)	3.62%	30,752,357.95	–	–	30,752,357.95	–
Qinhuangdao Port Elevator Co., Ltd. (秦皇島港立電梯有限責任公司) (Note)	10.00%	701,747.00	–	(701,747.00)	–	–
Tangshan Caofeidian Coal Stacking and Blending Co., Ltd. (唐山曹妃甸動力煤儲配有限公司)	16.00%	65,040,000.00	–	–	65,040,000.00	–
Tangshan Caofeidian Tugboat Co., Ltd. (唐山港曹妃甸拖船有限公司)	18.03%	81,881,910.00	–	–	81,881,910.00	4,172,048.94
Total		710,376,014.95	–	(701,747.00)	709,674,267.95	4,172,048.94

Note: At the fifth meeting of the third session of the Board of Qinhuangdao Ruigang Technology Import & Export Co., Ltd. (秦皇島瑞港技術進出口有限公司) in July 2017, the resolution to transfer the entire equity of Qinhuangdao Gangli Elevator Co., Ltd. held by it to HPG at a transfer price of RMB1,068,900.00 was approved. Such equity transfer has been completed within 2017.

At 31 December 2017, the management of the Company considered that provision for impairment of available-for-sale financial assets was not necessary.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

8. Long-term Equity Investments

For the six months ended 30 June 2018 (unaudited)

	Changes during the period						Period-end carrying Amount	Period-end provision
	Opening balance	Increase in investment	Share of (losses)/ profits	Other comprehensive income	Other equity movements	Declaration of cash dividend		
Equity method:								
Joint ventures								
Bohai Jin-ji Port Investment and Development Company Limited (渤海津冀港口投資發展有限公司)	354,417,198.06	-	(6,388,258.19)	-	30,619.31	-	348,059,559.18	
Jinji Container Terminal Co., Ltd. (津冀國際集裝箱碼頭有限公司)	54,246,590.22	-	(751,221.05)	-	6,804.29	-	53,502,173.46	
Sub-total	408,663,788.28	-	(7,139,479.24)	-	37,423.60	-	401,561,732.64	
Associates								
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華工煤炭檢驗行)	-	-	-	-	-	-	-	
Hebei Port Group Finance Company Limited (HPC財務有限公司)	631,702,694.96	-	10,281,797.75	(15,001.80)	-	-	641,969,490.91	
Tangshan Caoledian Shiye Port Co., Ltd. (唐山曹妃甸實業港務有限公司)	1,076,320,472.10	-	62,569,086.49	-	2,046,385.83	(56,000,000.00)	1,084,935,944.42	
Qinhuangdao Xing'ao Qin'gang Energy Storage & Transportation Co., Ltd. (秦皇島興業能源儲運有限公司)	-	-	-	-	-	-	(20,800,000.00)	
Handan International Land Port Co., Ltd. (邯鄲國際陸港有限公司)	151,320,737.75	-	2,498,579.21	-	-	-	153,819,316.96	
Tangshan Jingfeng Railway Co., Ltd. (唐山京唐鐵路有限公司)	273,528,916.50	-	(657,651.09)	-	-	-	272,871,265.41	
Cangzhou Bohai New Zone Gangxing Tugboat Co., Ltd. (滄州渤海新區興港拖輪有限公司)	140,022,488.17	-	1,919,355.71	-	-	-	141,941,843.88	
Xin Licheng Tally Co., Ltd. of Tangshan Caoledian Comprehensive Bonded Zone (唐山曹妃甸綜合保稅區鑫理理貨有限公司)	738,863.41	-	(295,904.82)	-	-	-	442,958.59	
Sub-total	2,273,634,172.89	-	76,315,263.25	(15,001.80)	2,046,385.83	(56,000,000.00)	2,295,980,820.17	
Total	2,682,297,961.17	-	69,175,784.01	(15,001.80)	2,083,809.43	(56,000,000.00)	2,697,542,552.81	

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

8. Long-term Equity Investments (continued)

2017

	Changes during the period							Year-end provision	
	Opening balance	Increase in investment	Share of (losses)/ profits	Other comprehensive income	Other equity movements	Declaration of cash dividend	Provision for amount		Closing carrying for impairment
Equity method:									
Joint ventures									
Bohai Jin-ji Port Investment and Development Company Limited (渤海津冀港口投資發展有限公司)	89,205,396.06	300,000,000.00	(34,788,198.00)	-	-	-	-	354,417,198.06	-
Jinji Container Terminal Co., Ltd. (津冀國際集裝箱碼頭有限公司)	-	61,554,044.14	(7,307,453.92)	-	-	-	-	54,246,590.22	-
Sub-total	89,205,396.06	361,554,044.14	(42,095,651.92)	-	-	-	-	408,663,788.28	-
Associates									
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華工煤質檢驗行)	-	-	-	-	-	-	-	-	-
Hebei Port Group Finance Company Limited (HPG財務有限公司)	217,911,512.02	400,000,000.00	13,776,181.14	15,001.80	-	-	-	631,702,694.96	-
Tangshan Caoledian Shiyue Port Co., Ltd. (唐山曹妃甸費業港務有限公司)	1,024,530,094.60	-	132,949,776.29	-	2,840,601.21	(84,000,000.00)	-	1,076,320,472.10	-
Qinhuangdao Xing'ao Qin'gang Energy Storage & Transportation Co., Ltd. (秦皇島興泰能源運輸有限公司)	20,000,000.00	800,000.00	-	-	-	(20,800,000.00)	-	-	(20,800,000.00)
Handan International Land Port Co., Ltd. (邯鄲國際陸港有限公司)	68,038,004.89	86,670,000.00	(3,387,267.14)	-	-	-	-	151,320,737.75	-
Tangshan Jingfang Railway Co., Ltd. (唐山京唐鐵路有限公司)	34,935,192.73	240,000,000.00	(1,406,276.23)	-	-	-	-	273,528,916.50	-
Gangzhou Bohai New Zone Gangxing Tugboat Co., Ltd. (德州渤海新區港地輪有限公司)	88,601,688.17	49,845,800.00	1,575,000.00	-	-	-	-	140,022,488.17	-
Xin Licheng Tally Co., Ltd. of Tangshan Caoledian Comprehensive Bonded Zone (唐山曹妃甸綜合保税區鑫理理貨有限公司)	-	900,000.00	(161,136.59)	-	-	-	-	738,863.41	-
Sub-total	1,454,016,492.41	778,215,800.00	143,346,277.47	15,001.80	2,840,601.21	(84,000,000.00)	(20,800,000.00)	2,273,634,172.89	(20,800,000.00)
Total	1,543,221,888.47	1,139,769,844.14	101,250,625.55	15,001.80	2,840,601.21	(84,000,000.00)	(20,800,000.00)	2,682,297,961.17	(20,800,000.00)

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

8. Long-term Equity Investments (continued)

Provision for impairment of the long-term equity investments:

For the six months ended 30 June 2018 (unaudited)

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Qinhuangdao Xing'ao Qin'gang Energy Storage & Transportation Co., Ltd. (秦皇島興奧秦港能源儲運有限公司)	20,800,000.00	–	–	20,800,000.00

2017

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Qinhuangdao Xing'ao Qin'gang Energy Storage & Transportation Co., Ltd. (秦皇島興奧秦港能源儲運有限公司)	–	20,800,000.00	–	20,800,000.00

9. Other Equity Instruments Investment

For the six months ended 30 June 2018 (unaudited)

	Cost	Changes in fair value accumulated in other comprehensive income	Fair value	Dividend income in current period	
				Equity instruments derecognised in current period	Equity instruments held
SDIC Caofeidian Port Co., Ltd. (國投曹妃甸港口有限公司)	498,000,000.00	10,970,787.25	508,970,787.25	–	–
Qinhuangdao Ruigang Coal Logistics Co., Ltd. (秦皇島睿港煤炭物流有限公司)	34,000,000.00	(7,268,757.44)	26,731,242.56	–	–
Cangzhou Huanghuagang Steel Logistics Co., Ltd. (滄州黃驊港鋼鐵物流有限公司)	30,752,357.95	14,109,190.37	44,861,548.32	–	–
Tangshan Caofeidian Coal Stacking and Blending Co., Ltd. (唐山曹妃甸動力煤儲配有限公司)	65,040,000.00	600,811.15	65,640,811.15	–	–
Tangshan Caofeidian Tugboat Co., Ltd. (唐山港曹妃甸拖船有限公司)	81,881,910.00	65,363,927.03	147,245,837.03	–	6,920,518.48
Total	709,674,267.95	83,775,958.36	793,450,226.31	–	6,920,518.48

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

10. Fixed Assets

	30 June 2018 (unaudited)	31 December 2017
Fixed assets	15,517,636,276.42	16,153,724,611.99
Disposal of fixed assets	1,325,623.31	-
	15,518,961,899.73	16,153,724,611.99

For the six months ended 30 June 2018 (unaudited)

	Properties and buildings	Terminal facilities	Machinery and equipment	Vessels and transportation equipment	Office and other equipment	Total
Cost						
1 January 2018	5,421,413,379.40	8,993,254,112.51	10,118,169,009.29	517,201,010.07	234,284,040.39	25,284,321,551.66
Purchase	-	-	-	-	125,489.27	125,489.27
Transferred from construction in progress	6,480,714.35	1,078,223.04	10,862,385.90	907,271.86	2,714,412.36	22,043,007.51
Reclassification	(9,847,907.35)	1,072,299.18	5,651,103.70	919,658.12	2,204,846.35	-
Transferred to construction in progress due to renovation and retrofitting	(182,721.00)	-	-	-	-	(182,721.00)
Disposal for the period	(2,129,542.39)	-	(9,404,680.09)	(7,264,961.00)	(4,877,458.16)	(23,676,641.64)
30 June 2018	5,415,733,923.01	8,995,404,634.73	10,125,277,818.80	511,762,979.05	234,451,330.21	25,282,630,685.80
Accumulated depreciation						
1 January 2018	1,225,351,460.44	1,888,851,193.78	5,465,549,467.04	367,481,251.10	177,600,203.35	9,124,833,575.71
Provision for the period (Note 2)	115,426,878.23	175,637,608.77	291,540,783.88	13,797,377.22	7,034,570.21	603,437,218.31
Reclassification	(60,674.45)	60,674.46	(520,264.29)	-	520,264.28	-
Transferred to construction in progress due to renovation and retrofitting	(55,703.99)	-	-	-	-	(55,703.99)
Disposal for the period	(1,272,918.78)	-	(8,965,113.52)	(7,047,011.93)	(4,731,168.22)	(22,016,212.45)
30 June 2018	1,339,389,041.45	2,064,549,477.01	5,747,604,873.11	374,231,616.39	180,423,869.62	9,706,198,877.58
Provision for impairment						
1 January 2018	-	-	5,676,039.01	-	87,324.95	5,763,363.96
Provision for the year (Note 1)	-	-	53,032,167.84	-	-	53,032,167.84
30 June 2018	-	-	58,708,206.85	-	87,324.95	58,795,531.80
Carrying amounts of fixed assets						
30 June 2018	4,076,344,881.56	6,930,855,157.72	4,318,964,738.84	137,531,362.66	53,940,135.64	15,517,636,276.42
1 January 2018	4,196,061,918.96	7,104,402,918.73	4,646,943,503.24	149,719,758.97	56,596,512.09	16,153,724,611.99

Note 1: According to the 19th meeting of the third board of directors of the Company held on 30 May 2018, the ore branch of the Company was cancelled. The Company made a provision for the impairment of the fixed assets of the ore branch of RMB53,032,167.84.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

10. Fixed Assets (continued)

2017

	Properties and buildings	Terminal facilities	Machinery and equipment	Vessels and transportation equipment	Office and other equipment	Total
Cost						
1 January 2017	3,941,088,335.69	8,725,532,732.11	8,458,211,590.88	462,831,564.27	232,221,889.75	21,819,886,112.70
Purchase	-	-	105,408.21	259,245.01	435,060.25	799,713.47
Transferred from construction in progress	1,590,472,980.43	1,422,601,223.33	2,316,145,048.54	61,912,556.51	17,793,170.33	5,408,924,979.14
Reclassification	-	-	609,776.68	-	(609,776.68)	-
Transferred to construction in progress due to renovation and retrofitting	-	-	(5,750,650.98)	-	-	(5,750,650.98)
Decrease due to disposal of a subsidiary	(106,248,359.72)	(1,154,879,842.93)	(596,287,462.18)	(684,307.00)	(6,717,178.48)	(1,864,817,150.31)
Disposal for the period	(1,694,493.00)	-	(54,864,701.86)	(7,118,048.72)	(8,839,124.78)	(72,516,368.36)
Other decrease	(2,205,084.00)	-	-	-	-	(2,205,084.00)
31 December 2017	5,421,413,379.40	8,993,254,112.51	10,118,169,009.29	517,201,010.07	234,284,040.39	25,284,321,551.66
Accumulated depreciation						
1 January 2017	1,045,809,413.14	1,746,751,058.68	5,100,523,460.76	343,010,055.31	174,796,767.10	8,410,890,754.99
Provision for the year (Note 2)	196,167,568.61	339,620,876.90	558,028,146.22	31,855,680.87	14,470,882.35	1,140,143,154.95
Reclassification	-	-	112,892.39	-	(112,892.39)	-
Transferred to construction in progress due to renovation and retrofitting	-	-	(3,880,635.77)	-	-	(3,880,635.77)
Decrease due to disposal of a subsidiary	(15,647,773.16)	(197,520,741.80)	(137,454,359.59)	(603,012.26)	(3,010,250.83)	(354,236,137.64)
Disposal for the period	(977,748.15)	-	(51,780,036.97)	(6,781,472.82)	(8,544,302.88)	(68,083,560.82)
31 December 2017	1,225,351,460.44	1,888,851,193.78	5,465,549,467.04	367,481,251.10	177,600,203.35	9,124,833,575.71
Provision for impairment						
1 January 2017	-	-	6,162,139.84	-	87,324.95	6,249,464.79
Write off for the year	-	-	(486,100.83)	-	-	(486,100.83)
31 December 2017	-	-	5,676,039.01	-	87,324.95	5,763,363.96
Carrying amounts of Fixed assets						
31 December 2017	4,196,061,918.96	7,104,402,918.73	4,646,943,503.24	149,719,758.97	56,596,512.09	16,153,724,611.99
1 January 2017	2,895,278,922.55	6,978,781,673.43	3,351,525,990.28	119,821,508.96	57,337,797.70	13,402,745,892.92

Note 2: For the six months ended 30 June 2018, depreciation of RMB101,425.44 (2017: RMB563,747.41) provided for machinery and equipment directly related to the construction of construction in progress of the Group was capitalised in construction in progress.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

10. Fixed Assets (continued)

As at 30 June 2018, the Group has no fixed assets which were temporarily idle (31 December 2017: nil).

As at 30 June 2018, the Group is applying for certificates of property ownership for buildings with a book value of RMB726,957,877.20 (31 December 2017: RMB718,349,454.87).

Fixed assets leased out under operating leases are as follows:

	30 June 2018 (unaudited)	31 December 2017
Machinery and equipment	41,250,902.12	47,946,923.97
Terminal facilities	21,214,761.77	19,378,930.23
Properties and buildings	14,030,086.10	15,789,232.49
Office and other equipment	29,518.97	36,084.24
	76,525,268.96	83,151,170.93

11. Construction in Progress

	30 June 2018 (unaudited)			31 December 2017		
	Balance	Provision for Impairment	Carrying amount	Balance	Provision for impairment	Carrying amount
Phase 1 (expansion) of metal ores Terminal project in the bulk cargo area of Huanghua Port	666,197,537.54	-	666,197,537.54	665,841,637.51	-	665,841,637.51
Phase 2 of coal terminal project in Caofeidian	280,070,776.21	-	280,070,776.21	236,484,319.46	-	236,484,319.46
Commencing project of complex port zone in Huanghua Port	151,130,381.64	-	151,130,381.64	146,776,135.21	-	146,776,135.21
Reclaimer Update for Phase 2 coal project	79,599,954.57	-	79,599,954.57	57,606,143.24	-	57,606,143.24
Phase 1 of crude oil terminal of Huanghua Port	16,552,828.08	-	16,552,828.08	12,925,493.18	-	12,925,493.18
Others	40,874,933.31	-	40,874,933.31	31,845,834.81	-	31,845,834.81
Total	1,234,426,411.35	-	1,234,426,411.35	1,151,479,563.41	-	1,151,479,563.41

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

NOTES TO FINANCIAL STATEMENTS

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

11. Construction in Progress (continued)

For the six months ended 30 June 2018 (unaudited)

	Budget	Opening balance	Increase in the period	Transferred from fixed assets during the period	Transferred to fixed assets and intangible assets during the period	Closing balance	Source of funds	Percentage of accumulated project input to budget (%)
Phase 2 of coal terminal project in Caofeidian	5,428,903,500.00	236,484,319.46	43,626,461.65	-	(40,004.90)	280,070,776.21	Loans from financial institutes and self-owned capital	98
Phase 1 (expansion) of metal ores terminal project in the bulk cargo area of Huanghua	3,050,861,400.00	665,841,637.51	355,900.03	-	-	666,197,537.54	Funds raised, loans from financial institutes and self-owned capital	22
Commencing project of complex port zone in Huanghua Port	7,555,702,691.90	146,776,135.21	4,354,246.43	-	-	151,130,381.64	Loans from financial institutes and self-owned capital	88
Reclaimer Update for Phase 2 coal project	166,510,000.00	57,606,143.24	21,993,811.33	-	-	79,599,954.57	Funds raised	48
Phase 1 of crude oil terminal of Huanghua Port	2,987,898,500.00	12,925,493.18	3,627,334.90	-	-	16,552,828.08	Self-owned capital	1
Others	1,650,369,450.00	31,845,834.81	31,430,041.37	127,017.01	(22,527,959.88)	40,874,933.31		
Total	20,840,245,541.90	1,151,479,563.41	105,387,795.71	127,017.01	(22,567,964.78)	1,234,426,411.35		

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

11. Construction in Progress (continued)

2017

	Budget	Opening balance	Increase in the period	Transferred from fixed assets during the period	Transferred to fixed assets or intangible assets during the period	Other decrease	Closing balance	Source of funds	Percentage of accumulated project input to budget (%)
Phase 2 of coal terminal project in CaoFeidian	5,428,903,500.00	4,896,360,788.56	311,688,972.77	-	(4,971,565,441.87)	-	236,484,319.46	Loans from financial institutes and self-owned capital	97
Phase 1 (expansion) of metal ores terminal project in the bulk cargo area of Huanghua Port	3,050,861,400.00	643,570,588.45	22,778,151.64	-	(507,102.58)	-	665,841,637.51	Funds raised, loans from financial institutes self-owned capital	22
Commencing project of complex port zone in Huanghua Port	7,555,702,691.90	111,326,263.42	147,074,157.86	-	(94,253,211.58)	(17,371,074.49)	146,776,135.21	Loans from financial institutes and self-owned capital	88
Construction project of wind-proof net for coal stacking yards	378,000,000.00	34,538,527.23	19,719,783.80	-	(53,965,701.03)	-	292,610.00	Self-owned capital	78
Wastewater treatment project of Phase 1 and Phase 2 coal project	33,790,000.00	29,741,243.00	345,537.74	-	(29,745,743.00)	-	341,037.74	Self-owned capital	89
Reclaimer Update for Phase 2 coal project	166,510,000.00	993,961.34	56,612,181.90	-	-	-	57,606,143.24	Funds raised	35
Reform of control system for high and low voltage cabinets and belt conveyors for Phase 1 coal project	39,600,000.00	18,643,970.54	3,220,591.70	-	(21,864,562.24)	-	-	Funds raised	55
Renovation project for dry fog dust suppression of dumpers	19,480,000.00	14,537,587.51	46,132.08	-	(13,923,076.58)	(660,643.01)	-	Self-owned capital	75
Phase 1 of oil terminal project in Huanghua Port	2,987,898,500.00	17,024,607.34	6,637,673.88	-	-	(10,736,788.04)	12,925,493.18	Self-owned capital	1
Others	1,075,176,292.00	64,256,417.99	220,782,844.26	1,870,015.21	(235,091,329.48)	(20,605,760.91)	31,212,187.07		
Total	20,735,922,383.90	5,830,993,955.38	788,906,027.63	1,870,015.21	(5,420,916,168.36)	(49,374,266.45)	1,151,479,563.41		

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

11. Construction in Progress (continued)

For the six months ended 30 June 2018 (unaudited)

	Progress of project	Accumulated Amounts of capitalized interest	Including: capitalised interest for the period	Ratio of capitalized interest for the period
Phase 2 of coal terminal project in Caofeidian	98%	838,827,230.61	1,304,008.78	4.90%

2017

	Progress of project	Accumulated Amounts of capitalized interest	Including: capitalised interest for the period	Ratio of capitalized interest for the period
Phase 2 of coal terminal project in Caofeidian	97%	837,523,221.83	60,977,478.73	4.41%-5.15%

12. Intangible Assets

For the six months ended 30 June 2018 (unaudited)

	Land use rights	Software	Sea area use rights	Total
Cost				
1 January 2018	1,613,249,566.24	123,735,563.53	379,481,917.07	2,116,467,046.84
Transferred from construction in progress	–	524,957.27	–	524,957.27
Disposal for the period	–	(380,000.00)	–	(380,000.00)
30 June 2018	1,613,249,566.24	123,880,520.80	379,481,917.07	2,116,612,004.11
Accumulated amortization				
1 January 2018	126,176,400.27	74,877,026.16	27,107,401.47	228,160,827.90
Provision for the period (Note)	16,503,667.86	3,138,568.55	4,125,690.42	23,767,926.83
Disposal for the period	–	(380,000.00)	–	(380,000.00)
30 June 2018	142,680,068.13	77,635,594.71	31,233,091.89	251,548,754.73
Carrying amount				
30 June 2018	1,470,569,498.11	46,244,926.09	348,248,825.18	1,865,063,249.38
1 January 2018	1,487,073,165.97	48,858,537.37	352,374,515.60	1,888,306,218.94

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

12. Intangible Assets (continued)

2017

	Land use rights	Software	Sea area use rights	Total
Cost				
1 January 2017	1,691,784,356.38	113,865,347.86	401,128,676.24	2,206,778,380.48
Purchase for the period	24,523,300.00	362,982.84	29,545.74	24,915,828.58
Transferred from construction in progress	–	11,991,189.22	–	11,991,189.22
Transferred from investment properties	7,410,000.00	–	–	7,410,000.00
Disposal for the period	(109,068,107.75)	(168,000.00)	(3,290,155.20)	(112,526,262.95)
Decrease due to disposal of subsidiaries	(19,786,132.10)	(2,315,956.39)	–	(22,102,088.49)
Reclassification	18,386,149.71	–	(18,386,149.71)	–
31 December 2017	1,613,249,566.24	123,735,563.53	379,481,917.07	2,116,467,046.84
Accumulated amortization				
1 January 2017	108,897,116.44	68,128,360.99	20,013,161.51	197,038,638.94
Provision for the period (Note)	33,361,376.36	7,376,273.28	7,875,134.71	48,612,784.35
Transferred from investment properties	1,395,550.00	–	–	1,395,550.00
Disposal for the period	(18,151,969.24)	(164,416.78)	–	(18,316,386.02)
Decrease due to disposal of subsidiaries	(106,568.04)	(463,191.33)	–	(569,759.37)
Reclassification	780,894.75	–	(780,894.75)	–
31 December 2017	126,176,400.27	74,877,026.16	27,107,401.47	228,160,827.90
Carrying amount				
31 December 2017	1,487,073,165.97	48,858,537.37	352,374,515.60	1,888,306,218.94
1 January 2017	1,582,887,239.94	45,736,986.87	381,115,514.73	2,009,739,741.54

Note: For the six months ended 30 June 2018, amortisation of RMB253,554.66(2017: RMB968,498.88) provided for intangible assets directly related to the construction of construction in progress of the Group was capitalised in construction in progress.

As at 30 June 2018, the Group was in the process of applying for the land use right certificate of a reclaimed land with carrying amount of RMB1,048,049,085.75 (31 December 2017: RMB1,059,242,674.65). The management of the Group believes that the Group has no legal and other obstacles to obtain the relevant land use right certificates after meeting the relevant registration procedures and paying the relevant fees.

As at 30 June 2018, the Group has no intangible assets which were from internal research and development (31 December 2017: nil).

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

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

13. Deferred Tax Assets/Liabilities

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

	30 June 2018 (unaudited)		31 December 2017	
	Deferred temporary differences	Deductible tax assets	Deferred temporary differences	Deductible tax assets
Government grants	293,062,751.16	73,265,687.79	311,182,677.12	77,795,669.09
Asset impairment provision	31,333,370.28	7,833,342.57	53,961,809.48	13,490,452.37
Employee bonus	285,080,000.00	71,270,000.00	240,080,000.00	60,020,000.00
Accrued early retirement schemes	75,132,832.60	18,783,208.15	94,542,324.52	23,635,581.13
Difference between tax base and accounting base of fixed assets	108,873,912.92	27,218,478.23	108,873,912.92	27,218,478.23
Changes in fair value of other equity instruments investment	7,268,757.44	1,817,189.36	-	-
	800,751,624.40	200,187,906.10	808,640,724.04	202,160,180.82

	30 June 2018 (unaudited)		31 December 2017	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Changes in fair value of other equity instruments investments	91,044,715.80	22,761,178.94	-	-

Deferred income tax assets and liabilities are offset as follows:

	30 June 2018 (unaudited)		31 December 2017	
	Eliminations	Remaining balance	Eliminations	Remaining balance
Deferred income tax assets	(1,817,189.36)	198,370,716.74	-	-
Deferred income tax liabilities	(1,817,189.36)	20,943,989.58	-	-

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

13. Deferred Tax Assets/Liabilities (continued)

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

	30 June 2018 (unaudited)	31 December 2017
Deductible temporary differences	70,156,440.02	7,351,815.84
Deductible losses	395,183,266.65	182,779,475.01
	465,339,706.67	190,131,290.85

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

	30 June 2018 (unaudited)	31 December 2017
2018	14,320,804.86	15,394,012.12
2019	11,426,185.85	11,426,185.85
2020	39,216,529.88	39,216,529.88
2021	28,795,554.32	28,795,554.32
2022	87,793,098.70	87,947,192.84
2023	213,631,093.04	-
	395,183,266.65	182,779,475.01

14. Other Non-current Assets

	30 June 2018 (unaudited)	31 December 2017
Prepayments for engineering equipment expenses	3,023,728.70	3,292,228.70
Credit tax available for deduction	71,648,501.17	86,184,449.39
Prepayment of deposits for sea area use rights	43,760,000.00	43,760,000.00
	118,432,229.87	133,236,678.09

NOTES TO FINANCIAL STATEMENTS

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

15. Asset Impairment Provision

For the six months ended 30 June 2018 (unaudited)

	Opening balance	Provision for the period	Decrease during the year		Closing balance
			Reversal	Write-off	
Provision for bad debts					
Including: Accounts receivable	34,070,096.58	1,265,336.40	(22,475,819.40)	-	12,859,613.58
Other receivables	680,164.78	744,472.46	(260,112.77)	-	1,164,524.47
Fixed assets impairment provision	5,763,363.96	53,032,167.84	-	-	58,795,531.80
Inventory impairment	-	7,870,140.45	-	-	7,870,140.45
Provision for impairment of the long-term equity investment	20,800,000.00	-	-	-	20,800,000.00
	61,313,625.32	62,912,117.15	(22,735,932.17)	-	101,489,810.30

2017

	Opening balance	Provision for the period	Decrease during the year		Closing balance
			Reversal	Write-off	
Provision for bad debts					
Including: Accounts receivable	25,194,510.22	11,451,034.43	(998,571.67)	(1,576,876.40)	34,070,096.58
Other receivables	2,600,722.73	72,841.81	(1,993,399.76)	-	680,164.78
Fixed assets impairment provision	6,249,464.79	-	-	(486,100.83)	5,763,363.96
Provision for impairment of the long-term equity investment	-	20,800,000.00	-	-	20,800,000.00
	34,044,697.74	32,323,876.24	(2,991,971.43)	(2,062,977.23)	61,313,625.32

16. Assets with Restricted Ownership

	30 June 2018 (unaudited)	31 December 2017
Cash and bank balances	49,598,181.08	-

As at 30 June 2018, the Group held frozen deposits of RMB49,598,181.08 due to the pending lawsuits (31 December 2017: nil).

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

17. Short-term Borrowings

	30 June 2018 (unaudited)	31 December 2017
Unsecured loan	900,000,000.00	1,300,000,000.00

At 30 June 2018, the interest rate of the above borrowings ranged from 3.92% to 4.57% per annum (31 December 2017: 3.92%).

At 30 June 2018, the Group has no outstanding short-term borrowings falling due (31 December 2017: nil).

18. Bills payable and Accounts Payable

At 30 June 2018, the Group has no bills payable (31 December 2017: nil).

	30 June 2018 (unaudited)	31 December 2017
Accounts payable	284,831,874.69	218,205,613.84

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

An ageing analysis of accounts payable is as follows:

	30 June 2018 (unaudited)	31 December 2017
Within 1 year	276,800,988.92	209,846,241.10
1 to 2 years	3,656,862.47	3,126,639.63
2 to 3 years	696,020.00	2,090,676.60
Over 3 years	3,678,003.30	3,142,056.51
	284,831,874.69	218,205,613.84

At 30 June 2018, the Group has no significant accounts payable ageing more than 1 year (31 December 2017: nil).

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

19. Deposits Received

	30 June 2018 (unaudited)	31 December 2017
Port handling fees	–	520,003,701.25
Weighing fees	–	2,363,852.37
Others	–	109,004.08
	–	522,476,557.70

At 31 December 2017, the Group has no significant deposits received ageing more than 1 year.

20. Contract liabilities

	30 June 2018 (unaudited)	31 December 2017
Port handling fees	489,161,355.68	–
Weighing fees	2,796,595.32	–
Others	68,612.03	–
	492,026,563.03	–

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

21. Employee Benefits Payable

For the six months ended 30 June 2018 (unaudited)

	Opening balance	Accrued	Paid	Closing balance
Short-term employee benefits	254,508,488.70	784,115,396.28	734,654,079.22	303,969,805.76
Post-employment benefits (defined contribution plans)	42,662,465.75	155,313,766.08	173,495,542.89	24,480,688.94
Early retirement schemes due within one year (27 of Note V)	45,888,244.27	15,246,589.25	27,224,221.86	33,910,611.66
	343,059,198.72	954,675,751.61	935,373,843.97	362,361,106.36

For the six months ended 30 June 2018 (unaudited)

Short-term employee benefits are as follows:

	Opening balance	Accrued	Paid	Closing balance
Salaries, bonuses, allowances and subsidies	240,080,000.00	598,476,927.15	552,706,927.15	285,850,000.00
Staff welfare	–	30,937,145.39	30,881,413.46	55,731.93
Social insurance	13,179.88	55,850,311.55	55,852,975.47	10,515.96
Including: Medical insurance	–	46,008,250.64	46,000,056.92	8,193.72
Work injury insurance	13,179.88	7,389,986.45	7,401,424.65	1,741.68
Maternity insurance	–	2,452,074.46	2,451,493.90	580.56
Housing funds	8,921,692.51	74,221,710.11	71,219,771.10	11,923,631.52
Union fund and employee education fund	5,040,229.96	15,899,861.42	16,064,882.04	4,875,209.34
Short-term paid leaves	–	6,550,948.25	6,550,948.25	–
Others short-term employee benefits	453,386.35	2,178,492.41	1,377,161.75	1,254,717.01
	254,508,488.70	784,115,396.28	734,654,079.22	303,969,805.76

Defined contribution plans are as follows:

	Opening balance	Accrued	Paid	Closing balance
Basic pension	180,150.72	102,530,189.47	102,687,118.09	23,222.10
Unemployment insurance	6,305.27	3,575,107.71	3,580,600.22	812.76
Enterprise annuity contribution (Note)	42,476,009.76	49,208,468.90	67,227,824.58	24,456,654.08
	42,662,465.75	155,313,766.08	173,495,542.89	24,480,688.94

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

21. Employee Benefits Payable (continued)

2017

	Opening balance	Accrued	Paid	Closing balance
Short-term employee benefits	16,797,527.31	1,955,920,773.91	1,718,209,812.52	254,508,488.70
Post-employment benefits (defined contribution plans)	20,416.24	297,703,126.61	255,061,077.10	42,662,465.75
Early retirement schemes due within one year (27 of Note V)	68,182,767.76	47,892,188.13	70,186,711.62	45,888,244.27
	85,000,711.31	2,301,516,088.65	2,043,457,601.24	343,059,198.72

Short-term employee benefits are as follows:

	Opening balance	Accrued	Paid	Closing balance
Salaries, bonuses, allowances and subsidies	–	1,533,874,716.99	1,293,794,716.99	240,080,000.00
Staff welfare	–	120,098,178.18	120,098,178.18	–
Social insurance	–	123,039,416.88	123,026,237.00	13,179.88
Including: Medical insurance	–	100,282,838.29	100,282,838.29	–
Work injury insurance	–	16,940,852.46	16,927,672.58	13,179.88
Maternity insurance	–	5,815,726.13	5,815,726.13	–
Housing funds	11,577,253.95	121,398,448.42	124,054,009.86	8,921,692.51
Union fund and employee education fund	4,235,813.83	32,667,849.69	31,863,433.56	5,040,229.96
Short-term paid leaves	–	19,755,897.46	19,755,897.46	–
Other short-term employee benefits	984,459.53	5,086,266.29	5,617,339.47	453,386.35
	16,797,527.31	1,955,920,773.91	1,718,209,812.52	254,508,488.70

Defined contribution plans are as follows:

	Opening balance	Accrued	Paid	Closing balance
Basic pension	–	210,147,300.69	209,967,149.97	180,150.72
Unemployment insurance	–	8,359,290.86	8,352,985.59	6,305.27
Enterprise annuity contribution (Note)	20,416.24	79,196,535.06	36,740,941.54	42,476,009.76
	20,416.24	297,703,126.61	255,061,077.10	42,662,465.75

Note: The Group operates a defined contribution pension scheme, which requires payments of fixed contribution to independent fund. According to the pension scheme, the highest payment shall not exceed the national regulations, which is within 8% of prior year's total payroll. The total payment made by the enterprise and employees shall not exceed 12% of prior year's total payroll. Since January 2017, the payment was calculated at 8% of prior year's total payroll.

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

22. Taxes Payable

	30 June 2018 (unaudited)	31 December 2017
Value-added tax	17,224,126.40	229,287.12
Enterprise income tax	32,688,811.98	90,622,484.71
Individual income tax	3,911,788.85	10,925,227.91
Environmental Protection tax (Note IV, Taxes)	66,914,436.28	–
Urban maintenance and construction tax	1,209,011.46	21,613.41
Education surcharge	863,579.61	15,438.16
Others	56,338.63	112,685.56
	122,868,093.21	101,926,736.87

23. Other Payables

	30 June 2018 (unaudited)	31 December 2017
Interest Payable	9,402,045.83	11,080,299.21
Dividend Payable	346,420,453.70	279,371,035.49
Engineering equipment expenses	852,376,659.45	881,545,918.90
Sewage charges of dust	18,002,926.68	49,843,605.96
Others	28,689,487.56	39,458,897.69
	1,254,891,573.22	1,261,299,757.25

As at 30 June 2018, significant other payables ageing more than 1 year are as follows (unaudited):

	Sums payable	Outstanding reason
Engineering equipment expenses payable	526,913,057.39	Not yet settled

As at 31 December 2017, significant other payables aging more than 1 year are as follows:

	Sums payable	Outstanding reason
Engineering equipment expenses payable	517,852,998.18	Not yet settled

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

24. Non-current liabilities due within one year

	30 June 2018 (unaudited)	31 December 2017
Long-term borrowings due within one year(25 of Note V)	444,424,000.00	333,524,000.00
Long-term payable due within one year (26 of Note V)	400,000.00	400,000.00
	444,824,000.00	333,924,000.00

25. Long-term Borrowings

	30 June 2018 (unaudited)	31 December 2017
Unsecured borrowings	6,762,152,492.98	6,824,014,492.98
Less: long-term borrowings due within one year	444,424,000.00	333,524,000.00
Non-current portion	6,317,728,492.98	6,490,490,492.98

At 30 June 2018, the interest rate of the above borrowings ranged from 4.28% to 5.15%(31 December 2017: 4.28% to 5.15%)。

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

	30 June 2018 (unaudited)	31 December 2017
Within 1 year (including 1 year) or repayment on demand	444,424,000.00	333,524,000.00
Within 2 years (including 2 years)	664,418,949.00	615,418,949.00
Within 2 to 5 years (including 5 years)	2,538,807,198.00	2,461,067,198.00
Over 5 years	3,114,502,345.98	3,414,004,345.98
	6,762,152,492.98	6,824,014,492.98

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

26. Long-term Payable

	30 June 2018 (unaudited)	31 December 2017
Long-term Payable	239,600,000.00	239,600,000.00
Including: Amount due within one year	400,000.00	400,000.00
Non-current portion	239,200,000.00	239,200,000.00

At 31 December 2017, the Group recognized the corresponding equity payables of RMB239.6 million under the equity repurchase commitment with Tangshan Jingtang Railway Co., Ltd.

Expected long-term payable of the Group in the future are as follows:

	30 June 2018 (unaudited)	31 December 2017
Within 1 year (including 1 year) or repayment on demand	400,000.00	400,000.00
Within 2 years (including 2 years)	400,000.00	400,000.00
Within 2 to 5 years (including 5 years)	202,800,000.00	202,800,000.00
Over 5 years	36,000,000.00	36,000,000.00
Less: Amount due within one year	239,600,000.00 400,000.00	239,600,000.00 400,000.00
Long-term Payable	239,200,000.00	239,200,000.00

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

27. Long-term Employee Remuneration Payable

Other long-term employee benefits

	30 June 2018 (unaudited)	31 December 2017
Early retirement schemes payable	75,154,325.72	94,542,324.52
Including: Amount due within one year	33,910,611.66	45,888,244.27
Non-current portion	41,243,714.06	48,654,080.25

Change in early retirement schemes payable are as follows:

	For the six months ended 30 June 2018 (unaudited)	2017
Early retirement schemes		
Opening balance	94,542,324.52	139,990,311.60
Increase in the period/year	7,836,223.06	24,738,724.54
Decrease in the period/year	(27,224,221.86)	(70,186,711.62)
Closing balance	75,154,325.72	94,542,324.52

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

	30 June 2018 (unaudited)	31 December 2017
Undiscounted amount		
Within 1 year	33,910,611.66	45,888,244.27
1 to 2 years	18,996,440.25	23,422,684.52
2 to 3 years	9,914,929.35	12,741,951.08
Over 3 years	18,417,508.52	19,546,819.93
Unrecognised financing cost	81,239,489.78 (6,085,164.06)	101,599,699.80 (7,057,375.28)
	75,154,325.72	94,542,324.52

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

27. Long-term Employee Remuneration Payable (continued)

Other long-term employee benefits (continued)

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

28. Estimated liabilities

For the six months ended 30 June 2018 (unaudited)

	Opening balance in the beginning of period	Increase in the period	Decrease in the period	Closing balance in the end of period
Pending litigation	33,860,000.00	–	–	33,860,000.00

2017

	Opening balance in the beginning of year	Increase in the year	Decrease in the year	Closing balance in the end of year
Pending litigation	–	33,860,000.00	–	33,860,000.00

Note: In January 2018, Cangzhou Bohai Port Co., Ltd. ("Cangzhou Bohai Port"), a subsidiary of the Company, received a subpoena issued by the Intermediate People's Court of Cangzhou City, Hebei Province, in which China Construction Sixth Engineering Division filed a lawsuit against Cangzhou Bohai Port as the defendant, claiming that the project of Huanghua Port Information Center Building (黃驊港信息中心樓), which was built by it for Cangzhou Bohai Port in 2010. Cangzhou Bohai Port was requested to make a payment of RMB33,864,106.08 for the construction of the abovementioned project and the interest and that the litigation fees and property preservation fee shall be borne by Cangzhou Bohai Port. In accordance with the requirements of accounting standards, the Group recognized RMB33,860,000.00 of the estimated liability of the litigation in 2017.

On 28 June 2018, Cangzhou Bohai Port received a civil judgment (2018 Ji 09 Min Chu No. 91) from the Intermediate People's Court of Cangzhou City, Hebei Province. The Intermediate People's Court of Cangzhou City, Hebei Province overruled the lawsuit from China Construction Sixth Engineering Division. As of the date of approval of the financial statements, China Construction Sixth Engineering Division appealed to the High People's Court of Hebei Province. The case is still under trial.

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

29. Deferred Income

	30 June 2018 (unaudited)	31 December 2017
Government grants in relation to assets		
Special environmental subsidy	181,333,585.53	189,640,177.15
Subsidy for retrofitting of contingency coal storage depot	109,000,000.00	118,750,000.00
Technology center project funds	2,295,833.30	2,354,166.64
Others	53,333.33	58,333.33
	292,682,752.16	310,802,677.12
Government grants in relation to income		
Technology center project funds	380,000.00	380,000.00
	293,062,752.16	311,182,677.12

As at 30 June 2018, liabilities items related to government grants are as follows (unaudited):

	Opening balance	Increase in the period	Recognised in Non-operating revenue in the period	Closing balance	Related to assets/income
Special environmental subsidy	189,640,177.15	-	8,306,591.62	181,333,585.53	Related to assets
Retrofitting of contingency coal storage depot	118,750,000.00	-	9,750,000.00	109,000,000.00	Related to assets
Technology center project funds	2,354,166.64	-	58,333.34	2,295,833.30	Related to assets
Others	58,333.33	-	5,000.00	53,333.33	Related to assets
Technology center project funds	380,000.00	-	-	380,000.00	Related to income
	311,182,677.12	-	18,119,924.96	293,062,752.16	

As at 31 December 2017, liabilities items related to government grants are as follows:

	Opening balance	Increase in the period	Recognised in Non-operating revenue in the period	Closing balance	Related to assets/income
Special environmental subsidy	190,974,176.22	14,852,700.00	16,186,699.07	189,640,177.15	Related to assets
Retrofitting of contingency coal storage depot	138,250,000.00	-	19,500,000.00	118,750,000.00	Related to assets
Technology center project funds	2,437,499.98	-	83,333.34	2,354,166.64	Related to assets
Others	68,333.33	-	10,000.00	58,333.33	Related to assets
Technology center project funds	380,000.00	-	-	380,000.00	Related to income
	332,110,009.53	14,852,700.00	35,780,032.41	311,182,677.12	

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

30. Share Capital

For the six months ended 30 June 2018 (unaudited)

	Changes during the period				Closing balance
	Opening balance	Issuance of new shares	Others	Subtotal	
I. Shares subject to selling restrictions					
1. State-owned shares	621,455,485.00	-	-	-	621,455,485.00
2. Shares held by State-owned legal persons	3,578,103,515.00	-	-	-	3,578,103,515.00
Total of shares subject to selling restrictions	4,199,559,000.00	-	-	-	4,199,559,000.00
II. Shares not subject to selling restrictions					
1. RMB-denominated ordinary shares	558,000,000.00	-	-	-	558,000,000.00
2. Overseas listed foreign shares	829,853,000.00	-	-	-	829,853,000.00
Total of shares not subject to selling restrictions	1,387,853,000.00	-	-	-	1,387,853,000.00
Total of shares	5,587,412,000.00	-	-	-	5,587,412,000.00

2017

	Changes during the year				Closing balance
	Opening balance	Issuance of New shares	Others	Subtotal	
I. Shares subject to selling restrictions					
1. State-owned shares	621,455,485.00	-	-	-	621,455,485.00
2. Shares held by State-owned legal persons	3,578,103,515.00	-	-	-	3,578,103,515.00
Total of shares subject to selling restrictions	4,199,559,000.00	-	-	-	4,199,559,000.00
II. Shares not subject to selling restrictions					
1. RMB-denominated ordinary shares (Note)	-	558,000,000.00	-	558,000,000.00	558,000,000.00
2. Overseas listed foreign shares	829,853,000.00	-	-	-	829,853,000.00
Total of shares not subject to selling restrictions	829,853,000.00	558,000,000.00	-	558,000,000.00	1,387,853,000.00
Total of shares	5,029,412,000.00	558,000,000.00	-	558,000,000.00	5,587,412,000.00

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

30. Share Capital (continued)

Note: On 16 August, 2017, the Company issued 558,000,000 A Shares with a par value of RMB1 per share for listing and trading on the Shanghai Stock Exchange.

Meanwhile, according to Reply on the State-owned Equity Management and the Transfer of State-owned Shares of Qinhuangdao Port Co., Ltd. (Ji Guo Zi Fa Chan Quan Guan Li [2015] No.76) issued on 21 August, 2015 and Reply on State-owned Equity Adjustment and the Transfer of State-owned Shares of Qinhuangdao Port Co., Ltd. (Ji Guo Zi Fa Chan Quan Guan Li [2017] No.9) issued on 24 January, 2017 by State-owned Assets Supervision and Administration Commission of People's Government of Hebei Provincial, upon the initial domestic and public offering of the Company, the original promoters of the Company, i.e. HPG, State-owned Assets Supervision and Administration Commission of People's Government of Qinhuangdao City, Hebei Jiantou Traffic Investment Co., Ltd., China Shipping (Group) Corporation, China Life Investment Holdings Co., Ltd., Shougang Group Co., Ltd., Beijing Holding Group Co., Ltd., Datong Coal Mine Group Co., Ltd., and Qinhuangdao Port Administration Office of Shanxi Provincial People's Government, transferred 55,231,976 State-owned Shares (calculated based on 10% of the issuance cap of 558,000,000 Shares) held by them to the National Social Security Fund Council, among which Daqin Railway Co., Ltd. performed the obligation of State-Owned Share Transfer by cash payment.

The additional registered capital of the Company in 2017 was verified by Ernst & Young Hua Ming LL, which issued the capital verification report of Ernst & Young Hua Ming (2017) No. 61063699_E01.

31. Capital Reserve

For the six months ended 30 June 2018 (unaudited)

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Share premium	5,196,156,925.69	–	–	5,196,156,925.69
Others	7,363,053.63	–	–	7,363,053.63
	5,203,519,979.32	–	–	5,203,519,979.32

2017

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Share premium (Note)	4,499,014,774.98	747,720,000.00	(50,577,849.29)	5,196,156,925.69
Others	7,363,053.63	–	–	7,363,053.63
	4,506,377,828.61	747,720,000.00	(50,577,849.29)	5,203,519,979.32

Note: In 2017, the Company publicly issued A Shares to raise fund, with a par value of RMB1 per A Share and an issuance price of RMB2.34 per A Share. The portion of the issuance price above the par value is included in the share premium. Meanwhile, the Company will offset the share premium with the issuance expense directly related to the A Share issuance.

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

32. Other Comprehensive Income

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

	1 January 2018	Increase/ (decrease)	30 June 2018 (unaudited)
Other comprehensive income accounted for using equity method which will be reclassified to profit and loss	15,001.80	(15,001.80)	–
Changes in fair value of other equity instruments investment	164,632,590.74	(126,042,663.24)	38,589,927.50
Exchange differences arising from translation of foreign currency denominated financial statements	1,687,927.38	366,344.48	2,054,271.86
	166,335,519.92	(125,691,320.56)	40,644,199.36
	1 January 2017	Increase/ (decrease)	31 December 2017
Other comprehensive income accounted for using equity method which will be reclassified to profit and loss	–	15,001.80	15,001.80
Exchange differences arising from translation of foreign currency denominated financial statements	4,623,646.56	(2,935,719.18)	1,687,927.38
	4,623,646.56	(2,920,717.38)	1,702,929.18

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

32. Other Comprehensive Income (continued)

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

For the six months ended 30 June 2018 (unaudited)

	Amount before tax	Less: Other comprehensive income previously recognised to be transferred to current profit or loss	Less: Other comprehensive income previously recognised to be transferred to current retained profit or loss	Transfer Less: Income tax	Attributable to the parent company	Attributable to minority interest
Other comprehensive income which will not be reclassified to profit and loss						
Other investments in equity instruments						
Changes in fair value	(126,042,663.24)	-	-	-	(126,042,663.24)	(4,775,996.70)
Changes in fair value of other investments in equity instruments						
Other comprehensive income accounted for using equity method which will be reclassified to profit and loss	(15,001.80)	-	-	-	(15,001.80)	-
Exchange differences arising on translation	366,344.48	-	-	-	366,344.48	-
	(125,691,320.56)	-	-	-	(125,691,320.56)	(4,775,996.70)

2017

	Amount before tax	Transfer Less: to profit or loss previously recognised	Less: to profit or loss previously recognised	Transfer Less: Income tax	Attributable to the parent company	Attributable to minority interest
Other comprehensive income which will be reclassified to profit and loss						
Other comprehensive income accounted for using equity method which will be reclassified to profit and loss	15,001.80	-	-	-	15,001.80	-
Exchange differences arising on translation	(2,935,719.18)	-	-	-	(2,935,719.18)	-
	(2,920,717.38)	-	-	-	(2,920,717.38)	-

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

33. Special Reserve

For the six months ended 30 June 2018 (unaudited)

	Opening balance	Amount accrued in the period	Amount utilised in the period	Closing balance
Production safety expenses	51,433,165.56	37,042,283.19	(13,887,634.21)	74,587,814.54

2017

	Opening balance	Amount accrued in the period	Amount utilised in the period	Closing balance
Production safety expenses	18,615,022.77	56,552,248.32	(23,734,105.53)	51,433,165.56

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

34. Surplus Reserve

For the six months ended 30 June 2018 (unaudited)

	Opening balance	Amount accrued in the period	Amount utilised in the period	Closing balance
Statutory surplus reserve	1,140,530,908.83	–	–	1,140,530,908.83

2017

	Opening balance	Amount accrued in the period	Amount utilised in the period	Closing balance
Statutory surplus reserve	1,044,974,250.76	95,556,658.07	–	1,140,530,908.83

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

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

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

35. Retained Profits

	For the six months ended 30 June 2018 (unaudited)	2017
Retained profits at the beginning of the period/year	1,420,731,065.74	832,687,475.08
Net profit attributable to shareholders of the parent	732,047,717.79	962,970,848.73
Less: Appropriation to statutory surplus reserve	–	95,556,658.07
Cash dividend payable for common shares (Note)	346,419,544.00	279,370,600.00
Retained profits at the end of the period/year	1,806,359,239.53	1,420,731,065.74

Note: Pursuant to the Resolution on 2017 Profit Distribution deliberated at the 2017 Annual General Meeting of Qinhuangdao Port Co., Ltd. held on 20 June 2018, the Company paid a cash dividend totaling RMB346,419,544.00 to all the Shareholders, which is calculated based on 5,587,412,000 Shares in issue and RMB0.062 per share (inclusive of tax).

Pursuant to the Resolution on 2016 Profit Distribution deliberated at the sixteenth meeting of the third session of the Board of Qinhuangdao Port Co., Ltd. held on 27 October 2017, the Company paid a cash dividend totaling RMB279,370,600.00 to all the Shareholders, which is calculated based on 5,587,412,000 Shares in issue and RMB0.05 per share (inclusive of tax). The above-mentioned resolution was approved on the first Extraordinary General Meeting of 2017 held on 20 December 2017.

36. Operating Revenue and Cost

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Revenue from the principal operations	3,501,691,979.77	3,389,039,570.76
Revenue from other operations	10,631,262.79	4,589,894.26
	3,512,323,242.56	3,393,629,465.02

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Revenue from the principal operations	1,968,511,207.83	2,098,374,091.05
Revenue from other operations	2,454,101.16	591,910.28
	1,970,965,308.99	2,098,966,001.33

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

36. Operating Revenue and Cost (continued)

Revenue is as follows:

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Revenue from service in relation to coal and relevant products	2,648,986,031.49	2,462,059,961.48
Revenue from service in relation to metal ore and relevant products	576,083,806.56	618,398,613.80
Revenue from service in relation to general and other cargoes	71,451,545.48	94,956,502.28
Revenue from container service	40,656,786.89	62,032,102.65
Revenue from service in relation to liquefied cargoes	29,580,969.87	33,351,974.35
Revenue from others	145,564,102.27	122,830,310.46
	3,512,323,242.56	3,393,629,465.02

37. Business Tax and Surcharges

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Environmental Protection tax	123,412,674.17	–
Land use tax	32,487,106.35	29,159,146.04
Urban maintenance and construction tax and education surcharge	8,933,773.82	12,259,653.65
Real estate tax	7,200,470.81	6,040,736.32
Stamp duty	638,356.11	811,351.47
Vehicles and vessels use tax	353,817.72	335,987.92
	173,026,198.98	48,606,875.40

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

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

38. Administrative Expenses

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Payroll	264,764,989.62	309,310,210.56
Cost of outsourcing labor	2,408,769.15	2,051,604.37
Depreciation and amortisation	26,887,192.25	28,092,249.29
Early retirement schemes (27 of Note V)	7,836,223.06	7,419,720.68
Repair expenses	6,507,994.43	4,370,916.23
Office charges	6,440,897.01	7,203,247.79
Epidemic prevention expenses	4,345,796.75	4,106,179.85
Rental expenses	3,502,467.66	4,416,579.11
Travel expenses	2,857,215.40	4,162,184.23
Business entertainment expenses	1,455,649.34	2,293,252.04
Others	19,128,230.57	21,353,933.87
	346,135,425.24	394,780,078.02

39. Financial Cost

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Interest expenses	179,908,359.18	265,113,866.06
Including: interest on bank loans repayable within 5 years	109,929,447.98	187,199,473.49
interest on other loans	69,978,911.20	77,914,392.57
Less: interest income	15,447,488.00	14,825,257.60
Less: capitalised interest	1,786,319.91	83,977,774.61
Foreign exchange (gain)/loss	(2,073,890.34)	5,722,962.23
Others	226,967.13	244,164.62
	160,827,628.06	172,277,960.70

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

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

40. Asset Impairment Loss

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Provision for bad debts	–	7,451,574.82
Provision for fixed assets impairment	53,032,167.84	–
Allowance for inventories	7,870,140.45	–
	60,902,308.29	7,451,574.82

41. Impairment loss of credit

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Provision for bad debts	(20,726,123.31)	–

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

42. Other Income

The government subsidies included in other income are as follows:

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)	Related to assets/income
Retrofitting of contingency coal storage depot (Note 1)	9,750,000.00	9,750,000.00	Related to assets
Container subsidy (Note 2)	483,800.00	–	Related to income
Special environmental subsidy (Note 3)	8,306,591.62	7,880,107.45	Related to assets
Employment subsidy (Note 4)	–	29,115,886.37	Related to income
Other	147,253.34	867,126.67	
	18,687,644.96	47,613,120.49	

Note 1: Such government subsidy was the national special fund received for improving assets such as coal stacker and reclaimers according to the Notice regarding the Central Budget Investment Plan 2011 for the National Coal Emergency Reserve Improvement Project (2011) No. 2327 as promulgated by the National Development and Reform Commission. The subsidy is amortized and transferred to other income in accordance with the depreciation of relevant fixed assets.

Note 2: Such government subsidy was the subsidy for the number of containers recognized by Cangzhou Bohai. According to the Notice on Issue of Preferential Policy for Supporting the Development of Container Industry in Huanghua Port and the Implementation Rules of Grant of Subsidy under the Preferential Policy for the Development of Container Industry in Huanghua Port (《關於印發〈關於支持黃驊港集裝箱產業發展的優惠政策〉的通知》) (Bo Xin Guan Zi [2012] No.25) issued by the Administration Commission of Bohai New Zone in Cangzhou City in March 2012, in order to support the development of container industry in Huanghua Port, subsidy of RMB100 per TEU will be granted to the companies engaged in operation of container terminal based on the container throughput.

Note 3: Such government subsidy was a special subsidy received for acquisition of relevant environmental protection facilities according to the Notice regarding the Sewage Charges on Coal Dust Imposed by the Qinhuangdao Municipal People's Government (Qin Zheng [2006] No. 66). The subsidy is amortized and transferred to other income in accordance with the depreciation of relevant fixed assets.

Note 4: Pursuant to the Opinion on the Use of Unemployment Insurance Benefits and Employment Subsidy (《關於使用失業保險金援企穩崗的意見》) (Ji Zheng Ban Han [2014] No. 18) issued by the General Office of the People's Government of Hebei Province and other relevant documents, the Group received the employment subsidy of RMB29,115,886.37 in 2017.

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

43. Investment Income

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Dividend income from investment in equity instruments at fair value through other comprehensive income	6,920,518.48	4,172,048.94
Investment income generated from disposal of subsidiaries	–	18,707,258.64
Long-term equity investment income accounted for under the equity method	69,175,784.01	58,013,552.45
Including: Investment income from associates	76,315,263.25	68,762,281.35
investment loss from joint ventures	(7,139,479.24)	(10,748,728.90)
Investment income from the disposal of financial assets at fair value through profit or loss	2,486,975.53	1,475,785.40
	78,583,278.02	82,368,645.43

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

44. Non-operating Income

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)	Non-recurring profit and loss for the six months ended 30 June 2018 (unaudited)
Gains from spoilage and obsolescence of non-current assets	4,918,426.71	255,748.32	4,918,426.71
Others	3,809,278.20	1,560,332.79	3,809,278.20
	8,727,704.91	1,816,081.11	8,727,704.91

45. Non-operating Expenses

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)	Non-recurring profit and loss for the six months ended 30 June 2018 (unaudited)
Losses from spoilage and obsolescence of non-current assets	173,329.42	2,393,990.31	173,329.42
Others	70,180.43	684,877.74	70,180.43
	243,509.85	3,078,868.05	243,509.85

NOTES TO FINANCIAL STATEMENTS

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

46. Expense by Nature

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

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Payroll (Note)	940,855,525.08	1,091,384,445.18
Depreciation and amortisation	627,165,137.92	591,700,206.51
Repair expenses	245,248,198.49	212,342,949.52
Power and fuel costs	169,857,766.47	150,132,497.82
Consumption expense of machinery	82,774,010.31	89,105,347.75
Rental expenses	69,816,335.44	66,046,550.19
Cost of outsourcing labor	50,741,222.02	64,498,309.19
Others	130,642,538.50	228,535,773.19
	2,317,100,734.23	2,493,746,079.35

Note: For the six months ended 30 June 2018, employee benefits include early retirement schemes of RMB7,836,223.06 (for the six months ended 30 June 2017: RMB7,419,720.68). For the details, please refer to Note V.27 Long-term employee remuneration payable.

47. Income Tax Expense

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Current income tax expenses	268,715,744.48	154,618,560.86
Deferred income tax expenses	3,789,464.08	19,788,433.62
	272,505,208.56	174,406,994.48

NOTES TO FINANCIAL STATEMENTS

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

47. Income Tax Expense (continued)

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

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Total profit	930,857,161.72	796,078,740.73
Income tax expenses calculated at the statutory tax rate	232,714,290.43	199,019,685.18
Effect of different tax rates of subsidiaries	(14,219,524.85)	(9,121,183.10)
Income not subject to tax	(1,730,129.62)	(1,043,012.24)
Investment income from associates and joint ventures	(17,293,946.00)	(14,503,388.11)
Expenses not deductible for tax	5,886,908.90	578,561.89
Unrecognised deductible losses of previous periods	(306,825.35)	(163,077.37)
Unrecognised deductible losses	53,407,773.26	818,413.27
Adjustments in respect of income tax of previous periods	(4,934,100.57)	1,452,175.84
Unrecognised deductible temporary difference	15,701,156.05	819,243.37
Others	3,279,606.31	(3,450,424.25)
Income tax expenses calculated at the Group's effective tax rate	272,505,208.56	174,406,994.48

48. Earnings per Share

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue.

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

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Earnings		
Net profit for the period attributable to ordinary shareholders of the Company	732,047,717.79	617,038,690.18
Shares		
Weighted average number of ordinary shares in issue of the Company	5,587,412,000.00	5,029,412,000.00

For the six months ended 30 June 2018, the Company had no dilutive potential ordinary shares in issue (2017: nil).

NOTES TO FINANCIAL STATEMENTS

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

49. Notes to the Statement of Cash Flows

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Cash received relating to other operating activities		
Interest income from bank deposit	15,447,488.00	14,825,257.60
Subsidy in relation to income	567,720.00	–
Others	2,198,180.02	34,894,133.37
	18,213,388.02	49,719,390.97
Cash paid relating to other operating activities		
Rental expenses	43,941,863.93	57,150,928.10
Sewage charges	31,840,679.28	98,157,144.07
Insurance	11,787,448.81	18,275,472.22
Office charges, conference expenses	6,962,527.75	3,743,601.67
Sanitary charges, afforestation fee	5,814,056.06	4,907,272.66
Travel expenses	2,853,784.73	4,162,184.23
Management consultancy fee	1,968,711.75	4,936,000.00
Technical service fees	1,762,381.14	2,401,310.08
Banking business fees	226,967.13	244,164.62
Others	21,882,461.12	5,442,014.80
	129,040,881.70	199,420,092.45
Cash received relating to other investing activities		
The asset-related government grant received	–	14,852,700.00
Cash paid relating to other investing activities		
Litigation preservation fee	49,598,181.08	–
Cash payments relating to other financing activities		
Listing related expense paid	–	1,000,000.00

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

50. Supplemental Information to Statement of Cash Flows

(1) Supplemental Information to Statement of Cash Flows

Reconciliation of net profit to cash flows from operating activities:

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Net profit	658,351,953.16	621,671,746.25
Add: Credit impairment losses	(20,726,123.31)	–
Asset impairment loss	60,902,308.29	7,451,574.82
Fixed assets depreciation	603,335,792.87	567,762,531.27
Amortisation of intangible assets	23,514,372.17	23,496,635.30
Amortisation of investment property	–	74,100.00
Amortisation of long-term deferred expenses	337,938.24	366,939.94
Amortisation of deferred income	(18,119,924.96)	(17,676,774.12)
Losses on disposal of fixed assets, intangible assets and other long-term assets	(8,597,422.44)	6,325,454.99
Financial costs	176,048,148.93	186,859,053.68
Gain in changes in fair value	(57,222.22)	–
Investment income	(78,583,278.02)	(82,368,645.43)
Decrease in deferred income tax assets	3,789,464.08	19,788,433.62
Increase in inventories	(1,969,107.07)	(17,111,373.94)
Decrease/(increase) in other current assets	40,879,620.92	(20,433,652.36)
Decrease/(increase) in operating receivables	123,545,537.75	6,439,664.27
Increase/(decrease) in operating payables	36,117,879.38	185,436,533.49
Increase in special reserve	21,730,271.29	10,144,490.42
Net cash flows from operating activities	1,620,500,209.06	1,498,226,712.20

Major non-cash investing and financing activities:

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Endorsed bank acceptance notes received from sale of goods or rendering of services	3,229,854.02	5,000,000.00

NOTES TO FINANCIAL STATEMENTS

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

50. Supplemental Information to Statement of Cash Flows (continued)

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

Net movements in cash and cash equivalents:

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Balances of cash at end of the period	2,331,499,536.96	2,568,495,883.34
Less: Balances of cash at beginning of the period	999,146,654.18	1,149,805,681.56
Net increase in cash and cash equivalents	1,332,352,882.78	1,418,690,201.78

(2) Information of disposal subsidiaries and other business units

Information of disposal subsidiaries and other business units

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Consideration for disposal of subsidiaries and other business units	–	588,540,441.38
Cash and cash equivalents received for disposal of subsidiaries and other business units	–	514,807,012.80
Less: Amount of cash and cash equivalents in subsidiaries and other business units acquired	–	12,006,241.37
Net cash received for disposal of subsidiaries and other business units	–	502,800,771.43

(3) Cash and cash equivalents

	30 June 2018 (unaudited)	30 June 2017 (unaudited)
Cash	2,331,499,536.96	2,568,495,883.34
Including: Cash on hand	201,426.46	138,898.47
Bank deposits on demand	2,331,298,110.50	2,568,356,984.87
Balance of cash and cash equivalents at the end of the period	2,331,499,536.96	2,568,495,883.34

NOTES TO FINANCIAL STATEMENTS

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

51. Foreign Currency Monetary Items

	30 June 2018(unaudited)			31 December 2017		
	Original currency	Exchange rate	Translated RMB	Original currency	Exchange rate	Translated RMB
Cash and bank balance						
US\$	5,207,977.96	6.6142	34,446,188.60	5,207,505.88	6.5342	34,026,579.18
EUR	488.74	7.6515	3,739.59	488.74	7.8023	3,813.30
HK\$	188,488,104.87	0.8431	158,914,321.21	233,305,249.33	0.8359	195,022,190.96
Other receivables						
HK\$	1,078.99	0.8431	909.70	520.98	0.8359	435.49
US\$	10,000.00	6.6142	66,084.99	10,000.00	6.5342	65,341.41
Bills payable and Accounts payable						
US\$	8,972.65	6.6142	58,629.09	42,472.65	6.5342	277,524.79
GBP	-	-	-	13,395.40	8.7792	117,600.90
HK\$	-	-	-	-	-	-
Tax payable						
HK\$	28,147.92	0.8431	23,731.51	28,147.92	0.8359	23,529.13
Other payables						
HK\$	61,048,562.78	0.8431	51,470,043.27	49,699,864.64	0.8359	41,544,613.86

VI. CHANGES IN THE CONSOLIDATION SCOPE

The scope of financial statement consolidation in the current period is consistent with that in the previous year.

NOTES TO FINANCIAL STATEMENTS

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VII. INTERESTS IN OTHER ENTITIES

1. Interests in Subsidiaries

The subsidiaries of the Company are as follows:

	Place of Principal business	place of incorporation	Nature of business	Registered capital RMB'0000	Percentage of shareholdings	
					Direct (%)	Indirect (%)
Subsidiaries acquired through the equity contribution from HPG during the establishment of the Company						
Qinhuangdao Ruigang Technology Import & Export Co., Ltd. (秦皇島瑞港技術進出口有限公司)	Qinhuangdao City	Qinhuangdao City	Accessories sales	1,000	100.00	-
Qinhuangdao Xin'gangwan Container Terminal Co. Ltd (秦皇島港新港灣集裝箱碼頭有限公司)	Qinhuangdao City	Qinhuangdao City	Loading and unloading services	40,000	55.00	-
Cangzhou Bohai Port Co., Ltd (滄州渤海港務有限公司)	Cangzhou City	Cangzhou City	Loading and unloading services	255,100	96.08	-
Subsidiaries acquired through establishment or investment						
Tangshan Caofeidian Coal Port Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	Tangshan City	Tangshan City	Loading and unloading services	180,000	51.00	-
Cangzhou Huanghuagang Mineral Port Co., Ltd. (滄州黃驊港礦石港務有限公司)	Cangzhou City	Cangzhou City	Loading and unloading services	196,000	98.47	-
Cangzhou Ocean Shipping Tally Co., Ltd. (滄州中理外輪理貨有限公司)	Cangzhou City	Cangzhou City	Cargo tallying services	500	33.00	23.00
Tangshan Caofeidian Jigang Coal Port Co., Ltd. (唐山曹妃甸冀港煤炭港務有限公司)	Tangshan City	Tangshan City	Loading and unloading services	5,000	99.00	-
Cangzhou Huanghuagang Crude Oil Port Co., Ltd. (滄州黃驊港原油港務有限公司)	Cangzhou City	Cangzhou City	Loading and unloading services	12,000	65.00	-
Qinhuangdao Port GangSheng (Hong Kong) Co., Limited (秦皇島港港盛(香港)有限公司)	Hong Kong	Hong Kong	International trade	HK\$50,000,000	100.00	-
Tangshan Port Investment & Development Co., Ltd. (唐山港口投資開發有限公司)	Tangshan City	Tangshan City	Port investment	200,000	56.00	-
Cangzhou Huanghua Port Bulk Cargo Port Co., Ltd (滄州黃驊港散貨港務有限公司)	Cangzhou City	Cangzhou City	Loading and unloading services	5,000	100.00	-
Tangshan Caofeidian Ocean Shipping Tally Co., Ltd. (唐山曹妃甸中理外輪理貨有限公司)	Tangshan City	Tangshan City	Cargo tallying services	300	-	100.00
Tangshan Caofeidian Jigang General Port Co., Ltd. (唐山曹妃甸冀港通用港務有限公司)	Tangshan City	Tangshan City	Loading and unloading services	5,000	100.00	-
Subsidiaries acquired through the merger of enterprises under common control						
Qinhuangdao Ocean Shipping Tally Co., Ltd. (秦皇島中理外輪理貨有限責任公司)	Qinhuangdao City	Qinhuangdao City	Cargo tallying services	1,274	84.00	-

NOTES TO FINANCIAL STATEMENTS

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (continued)

Subsidiaries with significant minority interests are as follows:

For the six months ended 30 June 2018 (unaudited)

	Percentage of Shareholding of minority shareholders	Profit or loss attributable to minority shareholders	Dividend paid to minority shareholders	Accumulated minority interests at the end of period
Tangshan Caofeidian Coal Port Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	49.00%	(71,553,486.87)	-	787,662,358.11

2017

	Percentage of Shareholding of minority shareholders	Profit or loss attributable to minority shareholders	Dividend paid to minority shareholders	Accumulated minority interests at the end of period
Tangshan Caofeidian Coal Port Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	49.00%	(54,827,642.71)	-	834,369,142.14

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (continued)

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

	30 June 2018 (unaudited)	31 December 2017
Current assets	366,982,981.11	305,414,489.63
Non-current assets	5,257,958,871.98	5,313,235,107.78
Total assets	5,624,941,853.09	5,618,649,597.41
Current liabilities	967,377,575.34	799,756,536.80
Non-current liabilities	3,050,090,077.52	3,116,098,892.98
Total liabilities	4,017,467,652.86	3,915,855,429.78
	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Revenue	170,429,212.83	–
Net (loss)/profit	(146,027,524.22)	4,312,038.96
Other comprehensive income	(9,746,932.04)	–
Total comprehensive income	(155,774,456.26)	4,312,038.96
Net cash flows from operating activities	127,089,762.64	–

NOTES TO FINANCIAL STATEMENTS

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in Joint Ventures and Associates

	Place of Principal business	Place of incorporation	Nature of business	Registered capital RMB'0000	Percentage of shareholdings		Accounting treatment
					Direct(%)	Indirect(%)	
Joint ventures							
Bohai Jin-Ji Port Investment and Development Company Limited (渤海津冀港口投資發展有限公司)	Tianjin City	Tianjin City	Investment and development	200,000	50.00	–	Equity method
Jinji International Container Terminal Co., Ltd. (津冀國際集裝箱碼頭有限公司)	Cangzhou City	Cangzhou City	Loading and unloading services	10,000	10.00	45.00	Equity method
Associates							
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	Qinhuangdao City	Qinhuangdao City	Quality inspection	400	40.00	–	Equity method
Hebei Port Group Finance Co., Ltd. (HPG財務有限公司)	Qinhuangdao City	Qinhuangdao City	Financial services	150,000	40.00	–	Equity method
Tangshan Caofeidian Shiye Port Co., Ltd., (唐山曹妃甸實業港務有限公司)	Tangshan City	Tangshan City	Loading and unloading services	200,000	35.00	–	Equity method
Qinhuangdao Xing'ao Qin'gang Energy Storage & Transportation Co., Ltd. (秦皇島興奧秦港能源儲運有限公司)	Qinhuangdao City	Qinhuangdao City	Energy services	5,000	40.00	–	Equity method
Handan International Land Port Co., Ltd. (邯鄲國際陸港有限公司)	Handan City	Handan City	Logistic services	80,000	–	20.00	Equity method
Tangshan Jingtang Railway Co., Ltd. Railway construction (唐山京唐鐵路有限公司)	Tangshan City	Tangshan City	Railway construction and operation	140,000	14.29	–	Equity method
Xin Licheng Tally Co., Ltd. of Tangshan Caofeidian Comprehensive Bonded Zone (Xin Licheng Tally Co., Ltd. of Tangshan Caofeidian Comprehensive Bonded Zone (唐山曹妃甸綜合保稅區鑫理程理貨有限 責任公司))	Tangshan City	Tangshan City	Cargo tallying services	300	–	30.00	Equity method
Cangzhou Bohai New Zone Gangxing Tugboat Co., Ltd. (滄州渤海新區港興 拖輪有限公司)	Cangzhou City	Cangzhou City	Tugging services	40,573.43	–	35.00	Equity method

NOTES TO FINANCIAL STATEMENTS

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in Joint Ventures and Associates (continued)

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

	30 June 2018 (unaudited)	31 December 2017
Current assets	220,763,012.64	224,472,656.16
Including: Cash and cash equivalents	220,762,402.74	46,631,301.67
Non-current assets	478,006,682.96	484,799,840.74
Total assets	698,769,695.60	709,272,496.90
Current liabilities	2,650,577.24	438,100.77
Non-current liabilities	-	-
Total liabilities	2,650,577.24	438,100.77
Owners' equity	696,119,118.36	708,834,396.13
Share of net assets in proportion to shareholding	348,059,559.18	354,417,198.06
Carrying amount of investment	348,059,559.18	354,417,198.06
	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Revenue	-	-
Administrative expenses	7,647,199.36	8,723,685.97
Financial cost – interest income	1,631,691.21	663,785.93
Financial cost – interest expense	-	-
Income tax expense	-	-
Net loss	(12,715,277.77)	(19,054,274.66)
Total comprehensive income	(12,715,277.77)	(19,054,274.66)

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in Joint Ventures and Associates (continued)

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

30 June 2018 (unaudited)

	Caofeidian Shiye	Finance Company
Current assets	2,690,764,051.25	2,557,042,518.60
Including: Cash and cash equivalents	540,685,198.74	1,747,312,169.15
Non-current assets	4,352,159,913.54	1,600,557,744.90
Total assets	7,042,923,964.79	4,157,600,263.50
Current liabilities	1,942,215,540.98	2,552,676,536.23
Non-current liabilities	1,954,222,603.54	–
Total liabilities	3,896,438,144.52	2,552,676,536.23
Minority interest	46,668,836.22	–
Equity attributable to shareholders of the parent	3,099,816,984.05	1,604,923,727.27
Share of net assets in proportion to shareholding	1,084,935,944.42	641,969,490.91
Carrying amount of investment	1,084,935,944.42	641,969,490.91

For the six months ended 30 June 2018 (unaudited)

	Caofeidian Shiye	Finance Company
Revenue	751,856,765.63	53,478,024.84
Financial cost – interest income	2,250,447.00	–
Financial cost – interest expense	(75,540,738.10)	–
Income tax expense	34,742,097.08	8,626,510.14
Net profit	182,169,438.38	25,704,494.37
Including: Net profit attributable to the parent	178,768,818.51	25,704,494.37
Total comprehensive income	182,169,438.38	25,704,494.37
Dividend received	15,733,336.23	–

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in Joint Ventures and Associates (continued)

31 December 2017

	Caofeidian Shiye	Finance Company
Current assets	2,729,915,391.71	3,592,523,519.12
Including: Cash and cash equivalents	509,268,883.41	1,916,786,265.88
Non-current assets	4,472,759,657.30	441,732,464.28
Total assets	7,202,675,049.01	4,034,255,983.40
Current liabilities	1,897,237,903.85	2,454,986,744.48
Non-current liabilities	2,186,967,579.94	12,501.51
Total liabilities	4,084,205,483.79	2,454,999,245.99
Minority interest	43,268,216.36	–
Equity attributable to shareholders of the parent	3,075,201,348.86	1,579,256,737.41
Share of net assets in proportion to shareholding	1,076,320,472.10	631,702,694.96
Carrying amount of investment	1,076,320,472.10	631,702,694.96

For the six months ended 30 June 2017 (unaudited)

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

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in Joint Ventures and Associates (continued)

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

	30 June 2018 (unaudited)	31 December 2017
Joint venture		
Total carrying amount of investment	53,502,173.46	54,246,590.22
Total amount of the following items calculated in the Group's equity proportion:		
Net loss	(751,221.05)	(7,307,453.92)
Total comprehensive income	(751,221.05)	(7,307,453.92)
Associates		
Total carrying amount of investment	569,075,384.84	565,611,005.83
Total amount of the following items calculated in the Group's equity proportion:		
Net profit/(loss)	3,464,379.01	(3,379,679.96)
Total comprehensive income	3,464,379.01	(3,379,679.96)

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

1. Financial Instruments by Category

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

30 June 2018

Financial assets

	Financial assets at fair value through profit or loss	Financial assets measured at amortised cost	financial assets at fair value through other comprehensive income	Total
Cash and bank balances	-	2,637,097,718.04	-	2,637,097,718.04
Financial assets held for trading	100,057,222.22	-	-	100,057,222.22
Bills receivable and accounts receivable	-	299,004,484.29	-	299,004,484.29
Other receivables	-	14,715,954.24	-	14,715,954.24
Other equity investments	-	-	793,450,226.31	793,450,226.31
	100,057,222.22	2,950,818,156.57	793,450,226.31	3,844,325,605.10

Financial liabilities

	Financial liabilities measured at amortised cost
Short-term borrowings	900,000,000.00
Bills payable and accounts payable	284,831,874.69
Other payables	1,236,888,646.54
Non-current liabilities due within one year	444,824,000.00
Long-term payables	239,200,000.00
Long-term borrowings	6,317,728,492.98
	9,423,473,014.21

NOTES TO FINANCIAL STATEMENTS

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Financial Instruments by Category (continued)

2017

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
Cash and bank balances	1,983,285,014.18	–	1,983,285,014.18
Bills receivable and accounts receivable	413,908,521.65	–	413,908,521.65
Other receivables	10,373,932.26	–	10,373,932.26
Other current assets	–	100,000,000.00	100,000,000.00
Available-for-sale financial assets	–	709,674,267.95	709,674,267.95
	2,407,567,468.09	809,674,267.95	3,217,241,736.04

Financial liabilities

	Other financial liabilities
Short-term borrowings	1,300,000,000.00
Bills payable and accounts payable	218,205,613.84
Other payables	1,211,456,151.29
Non-current liabilities due within one year	333,924,000.00
Long-term borrowings	6,490,490,492.98
Long-term payables	239,200,000.00
	9,793,276,258.11

NOTES TO FINANCIAL STATEMENTS

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

2. Transfer of Financial Assets

Continuing involvement in transferred financial assets derecognised generally

As at 30 June 2018, the Group has endorsed bank acceptance notes with a carrying amount of RMB2,400,000.00 (31 December 2017: RMB14,067,335.00) to suppliers to settle the amounts payable. As at 30 June 2018, for notes due within 1 to 6 months, if acceptance banks dishonored the notes, endorsees shall have the right to turn to the Group for recourse ("Continuing Involvement") according to the Law of Bill. The Group considered that substantially all the risk and reward of the notes have been transferred. Therefore, the Group has derecognised carrying amounts of the notes and the related accounts payable that have been settled. The maximum loss and the undiscounted cash flow of Continuing Involvement and repurchase equal to the carrying amounts of the notes. The Group considers that the fair value of Continuing Involvement is insignificant.

For the six months ended 30 June 2018 and for the six months ended 30 June 2017, the Group did not recognise any profit or loss at the date of transfer. The Group had no current or accumulated income or expense related to Continuing Involvement of financial assets which had been derecognised. The Endorsement has been made evenly throughout the period.

3. Risks Arising from Financial Instruments

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk (including currency risk and interest rate risk). Financial instruments the Group invested mainly include cash and bank balances, equity investment, borrowing, bills receivable and accounts receivable, bills payables and accounts payables etc. Risk manage policy employed by the Group are summarised below:

Credit risk

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

Because the counterparties of the cash and bank balances are placed in the well-established banks with high credit ratings, the credit risk of these financial instruments is lower.

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

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customers. At 30 June 2018, there is a concentration of specific credit risk within the Group as 24% and 54% (31 December 2017: 28% and 77%) of the Group's accounts receivables were due from largest and five largest customers. The Group did not hold any collateral or other credit enhancements over the balances of accounts receivables.

NOTES TO FINANCIAL STATEMENTS

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risks Arising from Financial Instruments (continued)

Credit risk (continued)

30 June 2018

Criteria for judging significant increases in credit risk

The Company assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. While determining whether the credit risk has significantly increased since initial recognition or not, the Company takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Company, the external credit rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Company compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative and qualitative criteria have been met:

- Quantitative criteria are mainly that the increase in remaining lifetime probability of default at the reporting date is considered significant comparing with the one at initial recognition.
- Qualitative criteria are that significant adverse change in debtor's operation or financial status, the watch-list, etc.

Definition of credit-impaired financial asset

The standard adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;

NOTES TO FINANCIAL STATEMENTS

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risks Arising from Financial Instruments (continued)

Credit risk (continued)

30 June 2018 (continued)

Definition of credit-impaired financial asset (continued)

The standard adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered (continued):

- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

Parameters of ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group takes into account the quantitative analysis of historical statistics (such as counterparty rating, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information.

Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL.

The impact of these economic indicators on the probability of default and the loss given default varies according to different types of business.

As at 30 June 2018, the Group made provisions for the expected credit loss rate for bad debt of receivables based on the period of entire lifetime credit loss. Please refer to Note V. 3 Bills receivables and accounts receivables and Note V.4 Other receivables.

As at 31 December 2017, there was no amount neither past due nor impaired, or past due but not impaired of the Group's receivables.

NOTES TO FINANCIAL STATEMENTS

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risks Arising from Financial Instruments (continued)

Liquidity risk

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

The Group's objective is to maintain a balance between continuity and flexibility of funding through the use of various funding means, such as bank borrowings. As at 30 June 2018, 18% (31 December 2017: 20%) of the Group's interest-bearing liabilities are due within one year.

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

30 June 2018 (unaudited)

	On demand	Within 1 year	1 to 5 years	Over 5 years	Total
Short-term borrowings	-	917,210,775.00	-	-	917,210,775.00
Bills payable and accounts payable	-	284,831,874.69	-	-	284,831,874.69
Other payables	28,689,487.56	1,208,199,158.98	-	-	1,236,888,646.54
Non current liabilities due within one year	-	454,209,196.26	-	-	454,209,196.26
Long-term borrowings	-	287,866,501.03	4,031,535,661.48	3,386,243,704.11	7,705,645,866.62
Long-term payable	-	400,000.00	203,200,000.00	36,000,000.00	239,600,000.00
	28,689,487.56	3,152,717,505.96	4,234,735,661.48	3,422,243,704.11	10,838,386,359.11

31 December 2017

	On demand	Within 1 year	1 to 5 years	Over 5 years	Total
Short-term borrowings	-	1,325,835,737.50	-	-	1,325,835,737.50
Bills payable and accounts payable	-	218,205,613.84	-	-	218,205,613.84
Other payables	39,459,333.18	1,171,996,818.11	-	-	1,211,456,151.29
Non current liabilities due within one year	-	343,427,202.79	-	-	343,427,202.79
Long-term borrowings	-	295,787,290.23	3,958,955,668.19	3,782,151,637.28	8,036,894,595.70
Long-term payable	-	400,000.00	203,200,000.00	36,000,000.00	239,600,000.00
	39,459,333.18	3,355,652,662.47	4,162,155,668.19	3,818,151,637.28	11,375,419,301.12

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risks Arising from Financial Instruments (continued)

Market risk

Interest rate risk

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

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

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

	Increase/ (decrease) in basis point	Increase/ (decrease) in net profit/loss	Increase/ (decrease) in other comprehensive income, net of tax	Increase/ (decrease) in total shareholder's equity
30 June 2018				
RMB	50	(27,459,946.85)	–	(27,459,946.85)
RMB	(50)	27,459,946.85	–	27,459,946.85
	Increase/ (decrease) in basis point	Increase/ (decrease) in net profit/loss	Increase/ (decrease) in other comprehensive income, net of tax	Increase/ (decrease) in total shareholder's equity
31 December 2017				
RMB	50	(29,715,054.35)	–	(29,715,054.35)
RMB	(50)	29,715,054.35	–	29,715,054.35

NOTES TO FINANCIAL STATEMENTS

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risks Arising from Financial Instruments (continued)

Market risk (continued)

Exchange rate risk

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

	Increase/ (decrease) in basis point	Increase/ (decrease) in net profit/loss	Increase/ (decrease) in other comprehensive income, net of tax	Increase/ (decrease) in total shareholder's equity
30 June 2018 (unaudited)				
If the RMB strengthens against the HK\$	1%	(745,887.64)	(59,951.27)	(805,838.91)
If the RMB strengthens against the US\$	1%	(258,402.33)	–	(258,402.33)
If the RMB weakens against the HK\$	(1%)	745,887.64	59,951.27	805,838.91
If the RMB weakens against the US\$	(1%)	258,402.33	–	258,402.33
30 June 2017(unaudited)				
If the RMB strengthens against the HK\$	1%	(1,457,105.03)	(61,861.38)	(1,518,966.41)
If the RMB strengthens against the US\$	1%	(262,826.45)	–	(262,826.45)
If the RMB weakens against the HK\$	(1%)	1,457,105.03	61,861.38	1,518,966.41
If the RMB weakens against the US\$	(1%)	262,826.45	–	262,826.45

NOTES TO FINANCIAL STATEMENTS

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

4. Capital management

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

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the distribution of profits to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. For the six months ended 30 June 2018, there was no change in the Group's capital management objectives, policies or processes.

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

	30 June 2018 (unaudited)	31 December 2017
Bills payable and account payable	284,831,874.69	218,205,613.84
Other payables	1,254,891,573.22	1,261,299,757.25
Short-term borrowings	900,000,000.00	1,300,000,000.00
Non-current liabilities due within one year	444,824,000.00	333,924,000.00
Long-term borrowings	6,317,728,492.98	6,490,490,492.98
Long-term payable	239,200,000.00	239,200,000.00
Less: Cash and bank balances	2,637,097,718.04	1,983,285,014.18
Net debt	6,804,378,222.85	7,859,834,849.89
Equity attributable to shareholders of the parent	13,853,054,141.58	13,405,330,048.63
Capital and net debt	20,657,432,364.43	21,265,164,898.52
Net debt to equity ratio	33%	37%

NOTES TO FINANCIAL STATEMENTS

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IX. DISCLOSURE OF FAIR VALUE

1. Assets and liabilities measured at fair value

30 June 2018

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Continuous measurement of fair value				
Financial assets held for trading				
Debt instrument investments	-	-	100,057,222.22	100,057,222.22
Other investments in equity instruments	-	-	793,450,226.31	793,450,226.31
	-	-	893,507,448.53	893,507,448.53

31 December 2017

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Continuous measurement of fair value				
Other current assets				
Debt instrument investments	-	-	100,000,000.00	100,000,000.00

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

2. Financial Liabilities Disclosed at Fair Value

30 June 2018

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Long-term borrowings	-	-	6,317,728,492.98	6,317,728,492.98
Long-term payable	-	-	193,400,616.93	193,400,616.93
	-	-	6,511,129,109.91	6,511,129,109.91

31 December 2017

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Long-term borrowings	-	-	6,490,490,492.98	6,490,490,492.98
Long-term payable	-	-	188,950,016.53	188,950,016.53
	-	-	6,679,440,509.51	6,679,440,509.51

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

3. Fair Value Estimation

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

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

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

The fair values of long-term loans are calculated by discounting the future cash flows using market yields currently available for other financial instruments with similar contractual terms, credit risk and residual term as the discount rate. As at 30 June 2018 and 31 December 2017, the Group's exposure to non-performance risk associated with the long-term borrowings is assessed as insignificant.

For the fair value of investment in unlisted equity instrument, the Group estimated and quantify the potential impact of using other reasonable and probable assumptions as inputs to the valuation model: with the use of less favorable assumptions, the fair value is reduced by approximately RMB76,671,898.37; with the use of more favorable assumption, the fair value increased by approximately RMB76,671,898.37.

4. Unobservable inputs

Below is a summary of the significant unobservable inputs to the fair value measurement of level 3:

	Fair value at the end of period	Valuation techniques	Unobservable inputs (weighted average)	Range
Debt instrument investments	30 June 2018: 100,057,222.22	Discounted cash flow method	Prepayment rate	January to June 2018: 0%
	31 December 2017: 100,000,000.00		Probability of default	January to June 2018: 0%
			Default loss rate	January to June 2018: 0%
Equity instruments investments	30 June 2018: 793,450,226.31	listed company comparison method	Liquidity discount	January to June 2018: 30%

NOTES TO FINANCIAL STATEMENTS

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent Company

	Place of registration	Registered Nature of business	Proportion of capital RMB	Proportion of shareholding (%)	Proportion of vote (%)
HPG	Tangshan City	Integrated port service	8 billion	54.27	54.27

HPG is the ultimate holding company of the Company.

2. Subsidiaries

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

3. Joint Ventures and Associates

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

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. Other Related Parties

Company name	Relationship with related parties
Hebei Port Group Port Engineering Limited (河北港口集團港口工程有限公司)	A subsidiary of the controlling shareholder
Hebei Port Group Port Machinery Limited (HPG港口機械有限公司)	A subsidiary of the controlling shareholder
Cangzhou Bohai New Area Port Real Estate Development Co., Ltd. (滄州渤海新區港口房地產開發有限公司)	A subsidiary of the controlling shareholder
Qinhuangdao Fangyuan Port Project Survey Co., Ltd. (秦皇島方園港灣工程監理有限公司)	A subsidiary of the controlling shareholder
Qinhuangdao Fangyu Property Services Management Co., Ltd. (秦皇島方宇物業服務有限公司)	A subsidiary of the controlling shareholder
Hebei Port Group Restaurant Management Co., Ltd. (河北港口集團餐飲管理有限公司)	A subsidiary of the controlling shareholder
Qinhuangdao Zhihai Shipping Agency Co., Ltd. (秦皇島之海船務代理有限公司)	A subsidiary of the controlling shareholder
Holiday Inn Qinhuangdao Sea View (秦皇島海景酒店有限公司)	A subsidiary of the controlling shareholder
Qinhuangdao Port Elevator Co., Ltd. (秦皇島港立電梯有限責任公司)	A subsidiary of the controlling shareholder
China Ocean Shipping Agency Qinhuangdao Co., Ltd. (中國秦皇島外輪代理有限公司)	A subsidiary of the controlling shareholder
Penavico QHD Logistics Co., Ltd. (秦皇島外代物流有限公司)	A subsidiary of the controlling shareholder
Cangzhou Bohai New Zone Far Trans Shipping Agency Company (滄州渤海新區泛航船務代理有限公司)	A subsidiary of the controlling shareholder
Qinhuangdao Ruigang Coal Logistics Co., Ltd. (秦皇島睿港煤炭物流有限公司)	A subsidiary of the controlling shareholder
Qinhuangdao Seaborne Coal Trading Market Co., Ltd. (秦皇島海運煤炭交易市場有限公司)	A subsidiary of the controlling shareholder
(Qinhuangdao Kezheng Engineering Testing Co., Ltd. (秦皇島科正工程檢測有限公司))	A subsidiary of the controlling shareholder
Qinhuangdao Yida Geotechnical Engineering Co., Ltd. (秦皇島易達岩土工程有限公司)	A subsidiary of the controlling shareholder
Tangshan Caofeidian Industrial Zone Sea Shipping Agency Co., Ltd. (唐山曹妃甸工業區之海船務代理有限公司)	A subsidiary of the controlling shareholder
Hebei Junyue Security Evaluation Consulting Co., Ltd. (河北君越安全評價諮詢有限公司)	A subsidiary of the controlling shareholder
Hebei Port Group International Logistics Co., Ltd. (河北港口集團國際物流有限公司)	A subsidiary of the controlling shareholder
Hebei Bohai-rim Coal Trading Center Co., Ltd. (河北環渤海煤炭交易中心有限公司)	A subsidiary of the controlling shareholder
Hebei Port Group Testing Technology Co., Ltd. (河北港口集團檢測技術有限公司)	A subsidiary of the controlling shareholder
Qinhuangdao Port Authority Industrial Service Company (秦皇島港務局實業服務公司)	A subsidiary of the controlling shareholder
Qinhuangdao Port Authority Construction Company (秦皇島港務局建築公司)	A subsidiary of the controlling shareholder
Qinhuangdao Qinren Shipping Co., Ltd. (秦皇島秦仁海運有限公司)	Other enterprises affected by the controlling shareholder
Qinhuangdao Huibo Petroleum Co., Ltd. (秦皇島匯博石油有限公司) (Note 1)	Other enterprises affected by the controlling shareholder
Qinhuangdao Oriental Petroleum Co., Ltd. (秦皇島東方石油有限公司)	Other enterprises affected by the controlling shareholder
Qinhuangdao Jinyuan Shipping Agency Co., Ltd. (秦皇島晉遠船務代理有限公司)	Other enterprises affected by the controlling shareholder
Huanghua Foreign Ships Agency Co., Ltd. (黃驊港外輪代理有限公司)	Other enterprises affected by the controlling shareholder
Qinhuangdao Hegang Co., Ltd. (秦皇島禾港有限責任公司)	Other enterprises affected by the controlling shareholder
SDIC Caofeidian Port Co., Ltd. (國投曹妃甸港口有限公司)	Other related party*
Qinhuangdao Jinhai Oil Industrial Co., Ltd. (秦皇島金海糧油工業有限公司) (Note 2)	Other related party*
Qinhuangdao Jinhai Specialized Oil Industrial Co., Ltd. (秦皇島金海特種食用油工業有限公司) (Note 2)	Other related party*
Shenhua Huanghua Harbor Administration Corp. Ltd. (神華黃驊港務有限責任公司)	Other related party*
Han Huang Railway Co., Ltd. (邯黃鐵路有限責任公司)	Other related party*
Daqin Railway Co., Ltd. (大秦鐵路股份有限公司)	Other related party**

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

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

Note 1: The original Qinhuangdao Yonghui Petroleum Co., Ltd. was renamed Qinhuangdao Huibo Petroleum Co., Ltd. in November 2017.

Note 2: The company no longer constitutes a related party of the Group since the beginning of 2017.

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major Transactions between the Group and Related Parties

(1) Transactions concerning goods and services with related parties

Purchase of goods and receipt of services from related parties

	Type of goods or services (Note 1)	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Transactions with the parent company			
HPG	Integrated service (Note 2)	17,013,206.56	19,009,091.36
Transactions with joint ventures and associates			
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	Sampling services	264,150.94	–
Transactions with other related parties			
Hebei Port Group Port Machinery Limited (HPG港口機械有限公司)	Repair and maintenance service	64,346,423.44	55,683,899.58
HPG Port Engineering Co., Ltd. (河北港口集團港口工程有限公司)	Construction service	9,439,615.57	80,933,326.16
Qinhuangdao Fangyu Property Services Management Co., Ltd. (秦皇島方宇物業服務有限公司)	Logistics service	6,738,284.20	6,110,720.28
Hebei Port Group Testing Technology Co., Ltd. (河北港口集團檢測技術有限公司)	Examination and test services	3,270,599.93	1,469,504.71
Cangzhou Bohai New Area Port Real Estate Development Co., Ltd. (滄州渤海新區港口房地產開發有限公司) 有限公司	Construction service	1,456,310.70	1,904,761.82
Qinhuangdao Port Elevator Co., Ltd. (秦皇島港立電梯有限責任公司)	Repair and maintenance service	764,809.32	89,333.15
Qinhuangdao Fangyuan Port Project Survey Co., Ltd. (秦皇島方圓港灣工程監理有限公司)	Supervisory	504,709.42	1,095,539.70
Daqin Railway Co., Ltd. (大秦鐵路股份有限公司)	Logistics service	423,940.34	507,914.53
Holiday Inn Qinhuangdao Sea View (秦皇島海景酒店有限公司)	Logistics service	113,535.06	131,674.37
Hebei Port Group Restaurant Management Co., Ltd. (河北港口集團餐飲管理有限公司)	Logistics service	–	2,792,936.42
Qinhuangdao Kezheng Engineering Testing Co., Ltd. (秦皇島科正工程檢測有限公司)	Examination and test services	–	1,033.02
		87,058,227.98	150,720,643.74
		104,335,585.48	169,729,735.10

Note 1: Purchase of goods and receipt of services from related parties by the Group are carried out according to the terms of the agreements entered into between the Group and related parties.

Note 2: Integrated service represents the General Services Agreement entered into by the Group and HPG. The scope of services includes office leasing, port engineering maintenance, supervising, maintenance and repair of equipment, water and electricity, heat supply and communication etc.

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

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

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

Sales of goods and render of services to related parties

	Type of goods or services (Note 1)	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Transactions with the parent company			
HPG	Electricity supply service, etc.	2,762,013.50	3,176,265.78
Transactions with joint ventures and associates			
Jinji International Container Terminal Co., Ltd. (津冀國際集裝箱碼頭有限公司)	Electricity supply and leasing service	6,018,443.01	–
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	Electricity, lease and sampling services	501,810.07	291,116.77
Cangzhou Bohai New Zone Gangxing Tugboat Co., Ltd. (滄州渤海新區港興拖輪有限公司)	Labor and Electricity supply service	175,207.17	64,946.82
Qinhuangdao Xing'ao Qin'gang Energy Storage & Transportation Co., Ltd. (秦皇島興奧秦港能源儲運有限公司)	Electricity supply service	35,731.41	44,362.76
Handan International Land Port Co., Ltd. (邯鄲國際陸港有限公司)	Sampling service	–	29,126.21
		6,731,191.66	429,552.56

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

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

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

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

Type of goods or services (Note)	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)	
Transactions with other related parties			
Qinhuangdao Seaborne Coal Trading Market Co., Ltd. (秦皇島海運煤炭交易市場有限公司)	Distribution purchasing	12,533,668.84	11,728,610.39
Qinhuangdao Qinren Shipping Co., Ltd. (秦皇島秦仁海運有限公司)	Distribution purchasing and products management services	5,293,560.60	6,145,898.81
SDIC Caofeidian Port Co., Ltd. (國投曹妃甸港口有限公司)	Equipment sales and valuation services	3,209,200.56	1,160,784.10
HPG International Logistics Co., Ltd. (HPG國際物流有限公司)	Distribution purchasing	3,043,726.43	4,192,091.49
Holiday Inn Qinhuangdao Sea View (秦皇島海景酒店有限公司)	Electricity supply service	917,763.94	1,053,193.92
HPG Port Engineering Co., Ltd. (河北港口集團港口工程有限公司)	Electricity supply service etc.	455,637.38	366,775.30
Qinhuangdao Oriental Petroleum Co., Ltd. (秦皇島東方石油有限公司)	Electricity supply and unloading services	318,967.33	742,488.36
Labor and Hebei Port Group Port Machinery Limited (HPG港口機械有限公司)	Electricity supply service	259,073.44	305,697.10
Han Huang Railway Co., Ltd. (邯黃鐵路有限責任公司)	Electricity supply service	265,149.30	188,272.76
Qinhuangdao Huibo Petroleum Co., Ltd. (秦皇島匯博石油有限公司)	Electricity supply service	272,483.12	290,515.30
China Qinhuangdao Ocean Shipping Agency Co., Ltd. (中國秦皇島外輪代理有限公司)	Electricity supply service	84,459.23	108,564.61
Qinhuangdao Fangyuan Port Project Survey Co., Ltd. (秦皇島方圓港灣工程監理有限公司)	Electricity supply service	41,607.52	39,690.29
Qinhuangdao Fangyu Property Services Management Co., Ltd. (秦皇島方宇物業服務有限公司)	Electricity supply service	30,378.81	29,957.23
Qinhuangdao Hegang Co., Ltd. (秦皇島禾港有限責任公司)	Labor service	21,707.55	-
Qinhuangdao Port Authority Industrial Service Company (秦皇島港務局實業服務公司)	Electricity supply service	7,282.06	-
Hebei Port Group Testing Technology Co., Ltd. (河北港口集團檢測技術有限公司)	Electricity supply service	3734.68	-
Cangzhou Bohai New Area Port Real Estate Development Co., Ltd. (滄州渤海新區港口房地產開發有限公司)	Construction service	-	1,792,581.27
Qinhuangdao Jinhai Oil Industrial Co., Ltd. (秦皇島金海糧油工業有限公司)	unloading services	-	28,906,371.69
Hebei Port Group Restaurant Management Co., Ltd. (河北港口集團餐飲管理有限公司)	Electricity supply service	-	59,678.00
Qinhuangdao Jinhai Specialized Oil Industrial Co., Ltd. (秦皇島金海特種食用油工業有限公司)	unloading services	-	211,723.61
Hebei Bohai-rim Coal Trading Center Co., Ltd. (河北環渤海煤炭交易中心有限公司)	Distribution purchasing	-	1,645,288.69
Qinhuangdao Ruigang Coal Logistics Co., Ltd. (秦皇島睿港煤炭物流有限公司)	Distribution purchasing	-	3,188,575.47
		26,758,400.79	62,156,758.39
		36,251,605.95	65,762,576.73

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

NOTES TO FINANCIAL STATEMENTS

30 June 2018

RMB

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

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

(2) Leases with related parties

As lessor

	Category of Leased assets	For the six months ended 30 June 2018 (unaudited) Leasing Income	For the six months ended 30 June 2017 (unaudited) Leasing Income
Jinji International Container Terminal Co., Ltd. (津冀國際集裝箱碼頭有限公司)	Machinery and equipment	975,314.29	–
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	Machinery and equipment	467,116.91	450,205.24
Qinhuangdao Fangyuan Port Project Survey Co., Ltd. (秦皇島方圓港灣工程監理有限公司)	Housing and buildings	49,523.81	–
Cangzhou Bohai New Zone Gangxing Tugboat Co., Ltd. (滄州渤海新區港興拖輪有限公司)	Machinery and equipment	9,853.85	20,440.18
Total		1,501,808.86	470,645.42

As Lessee

	Category of Leased assets	For the six months ended 30 June 2018 (unaudited) Leasing Expenses	For the six months ended 30 June 2017 (unaudited) Leasing Expenses
HPG	Buildings and harbor facilities	41,064,235.29	40,452,284.19
HPG	Office buildings	8,690,432.39	8,617,921.88
HPG	Machinery and equipment	3,269,170.87	3,217,839.18
HPG	vehicle	790,187.23	1,301,153.21
Qinhuangdao Dongfang Petroleum Co., Ltd.	Buildings and harbor facilities	3,040,169.72	–
Total		56,854,195.50	53,589,198.46

According to the lease agreement entered by the Group and HPG in 2018, the leased land, buildings and facilities and equipment of the ports of the Group are made use for the production operations.

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

NOTES TO FINANCIAL STATEMENTS

30 June 2018

RMB

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

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

(3) Borrowings from related parties

Capital Income

For the six months ended 30 June 2018 (unaudited)

	Borrowing amount	Interest rate per annum	Commencement date	Maturity date
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	140,000,000.00	4.57%	27 June 2018	27 June 2019

For the six months ended 30 June 2018, there was no capital income from the related parties to the Group.

Interest expenses paid

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	967,218.75	1,857,348.55

(4) Key management personnel

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Remuneration for key management personnel	1,857,277.92	1,842,749.22

(5) Transactions with other related parties

Trademark use right

In December 2008, the Company entered into an agreement with HPG, the parent company, pursuant to which the Company had the exclusive right to use HPG's trademark for free with a term of ten years commencing on 31 March 2008. Unconditional automatic renewal for 10 years upon expiry, until maturity at 31 March 2028.

Deposits in related parties

As at 30 June 2018, the balance of the Group's deposits in Hebei Port Group Finance Company Limited (河北港口集團財務有限公司) amounted to RMB1,583,026,338.19 (31 December 2017: RMB1,340,881,281.98), and an interest income of interest income of RMB12,514,139.90 was incurred in the period (for the six months ended 30 June 2017: RMB14,386,566.22).

NOTES TO FINANCIAL STATEMENTS

30 June 2018

RMB

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

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

(5) Transactions with other related parties (continued)

Agency business

Related agencies accept the port services provided by the Group on behalf of non-related third parties shipping companies, and pay port services fee on behalf of these shipping companies to the Group. Relevant agencies derive service income from non-related third parties they serve. Below are the amount settled between relevant agencies serving non-related third parties and the Group:

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Qinhuangdao Zihai Shipping Agency Co., Ltd. (秦皇島之海船務代理有限公司)	68,951,781.39	58,567,325.52
China Ocean Shipping Agency Qinhuangdao (中國秦皇島外輪代理有限公司)	21,878,817.38	12,870,203.81
Penavico QHD Logistics Co., Ltd. (秦皇島外代物流有限公司)	6,456,609.37	10,395,441.51
Huanghua Foreign Ships Agency Co., Ltd. (黃驊港外輪代理有限公司)	1,634,474.53	1,857,016.21
Qinhuangdao Jinyuan Shipping Agency Co., Ltd. (秦皇島晉遠船務代理有限公司)	136,381.77	95,661.59
Cangzhou Bohai New Zone Far Trans Shipping Agency Company (滄州渤海新區泛航船務代理有限公司)	38,286.19	512,675.39
	99,096,350.63	84,298,324.03

NOTES TO FINANCIAL STATEMENTS

30 June 2018

RMB

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Commitments Made between the Group and Related Parties

Capital commitments

	30 June 2018 (unaudited)	31 December 2017
Contracted, but not provided for HPG Port Engineering Co., Ltd. (河北港口集團港口工程有限公司)	24,031,495.40	4,507,135.12
Qinhuangdao Fangyuan Port Project Survey Co., Ltd. (秦皇島方圓港灣工程監理有限公司)	8,037,217.00	8,037,217.00
HPG	-	474,000.00
	32,068,712.40	13,018,352.12

Investment commitments

	30 June 2018 (unaudited)	31 December 2017
Contracted, but not provided for Tangshan Jingtang Railway Co., Ltd.(唐山京唐鐵路有限公司)	540,000,000.00	540,000,000.00
Bohai Jin-Ji Port Investment and Development Company Limited (渤海津冀港口投資發展有限公司)	600,000,000.00	600,000,000.00
	1,140,000,000.00	1,140,000,000.00

Lease commitments

	30 June 2018 (unaudited)	31 December 2017
Within 1 year (including 1 year)	46,722,879.50	93,445,759.00

Pursuant to the relevant lease contracts, the aforementioned minimum lease payments under non-cancellable leases on 30 June 2018 mainly include rentals payable by the Company to HPG in respect of the lease of lands, buildings, facilities and equipment etc, with an annual rental of RMB93,445,759.00. The rental paid by the Group to related companies in respect of the lease assets are executed pursuant to the terms of the agreements entered into between the Group and the related parties.

7. The Parent Company and Subsidiaries

	30 June 2018 (unaudited)	31 December 2017
Investment in subsidiaries Unlisted investments, at cost	5,832,747,006.66	5,787,247,006.66

The amounts due from and to subsidiaries of RMB4,046,920.20 (2017: RMB8,275,104.20) and RMB582,117.32 (2017: RMB1,126,620.82) under the items of current assets and current liabilities, respectively, were unsecured, non-interest bearing and repayable on demand or falling due within one year.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

RMB

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

8. Balances of Accounts Due from Related Parties

	30 June 2018 (unaudited)		31 December 2017	
	Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
Bills receivable and accounts receivable				
<u>Due from the parent company</u>				
HPG	13,202.39	528.10	241,747.00	12,087.35
<u>Due from joint ventures and associates</u>				
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	6,036,533.39	6,036,533.39	6,036,533.39	6,036,533.39
Jinji International Container Terminal Co., Ltd. (津冀國際集裝箱碼頭有限公司)	1,024,080.00	40,963.20	-	-
Qinhuangdao Xing'ao Qin'gang Energy Storage & Transportation Co., Ltd. (秦皇島興奧秦港能源儲運有限公司)	109,942.45	4,397.70	68,136.70	3,406.84
Cangzhou Bohai New Zone Gangxing Tugboat Co., Ltd. (滄州渤海新區港興拖輪有限公司)	11,529.00	461.16	-	-
	7,182,084.84	6,082,355.45	6,104,670.09	6,039,940.23
<u>Due from other related parties</u>				
Qinhuangdao Zhihai Shipping Agency Co., Ltd. (秦皇島之海船務代理有限公司)	13,969,170.00	558,766.80	23,433,014.00	1,171,650.70
China Qinhuangdao Ocean Shipping Agency Co., Ltd. (中國秦皇島外輪代理有限公司)	27,286,623.57	1,091,464.94	16,276,742.00	813,837.10
Penavico QHD Logistics Co., Ltd. (秦皇島外代物流有限公司)	3,123,095.00	124,923.80	1,381,087.00	69,054.35
SDIC Caofeidian Port Co., Ltd. (國投曹妃甸港口有限公司)	2,361,165.34	94,446.61	405,032.28	25,683.64
Qinhuangdao Qinren Shipping Co., Ltd. (秦皇島秦仁海運有限公司)	1,380,600.90	55,224.04	1,309,320.40	65,466.02
Qinhuangdao Port Authority Construction Company (秦皇島港務局建築公司)	862,686.43	34,507.46	-	-
Qinhuangdao Port Authority Industrial Service Company (秦皇島港務局實業服務公司)	103,842.80	4,153.71	-	-
Huanghua Foreign Ships Agency Co., Ltd. (黃驊港外輪代理有限公司)	42,554.00	1,702.16	55,640.00	2,782.00
Qinhuangdao Huibao Petroleum Co., Ltd. (秦皇島匯博石油有限公司)	42,610.00	1,704.40	15,797.00	789.85
Qinhuangdao Shanco Shipping Agency Co., Ltd. (秦皇島晉遠船務代理有限公司)	32,800.00	1,312.00	32,733.00	1,636.65
Cangzhou Bohai New Zone Far Trans Shipping Agency Company (滄州渤海新區泛航船務代理有限公司)	12,283.00	491.32	-	-
Qinhuangdao Oriental Petroleum Co., Ltd. (秦皇島東方石油有限公司)	7,681.00	307.24	133,556.00	6,677.80
	49,225,112.04	1,969,004.48	43,042,921.68	2,157,578.11
	56,420,399.27	8,051,888.03	49,389,338.77	8,209,605.69

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

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

	30 June 2018(unaudited)		31 December 2017	
	Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
Other receivables				
<u>Due from the parent company</u>				
HPG	100,000.00	6,000.00	1,068,900.00	53,445.00
<u>Due from joint ventures and associates</u>				
Bohai Jin-Ji Port Investment and Development Company Limited (渤海津冀港口投資發展有限公司)	4,538,405.82	408,456.52	4,538,405.82	226,920.29
Jinji International Container Terminal Co., Ltd. (津冀國際集裝箱碼頭有限公司)	9,321,363.67	515,782.33	1,446,543.02	72,327.15
Cangzhou Bohai New Zone Gangxing Tugboat Co., Ltd. (滄州渤海新區港興拖輪有限公司)	56,923.14	3,415.39	–	–
	13,916,692.63	927,654.24	5,984,948.84	299,247.44
<u>Due from other related parties</u>				
HPG Port Engineering Co., Ltd. (河北港口集團港口工程有限公司)	308,347.83	17,061.92	403,548.00	20,177.40
Shenhua Huanghua Harbor Administration Corp. Ltd. (神華黃驊港務有限責任公司)	6,000.00	360.00	–	–
	314,347.83	17,421.92	403,548.00	20,177.40
	14,331,040.46	951,076.16	7,457,396.84	372,869.84
Prepayments and deposits				
Advances to the parent company				
HPG	7,200.00	–	–	–

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

9. Balances of Accounts Due to Related Parties

	30 June 2018 (unaudited)	31 December 2017
Bills payable and account payable		
<u>Due to the parent company</u>		
HPG	32,015,927.25	7,186,334.26
<u>Due to associates</u>		
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	238,000.00	–
<u>Due to other related parties</u>		
Hebei Port Group Port Machinery Limited (河北港口集團港口機械有限公司)	42,465,088.02	26,475,926.58
HPG Port Engineering Co., Ltd. (河北港口集團港口工程有限公司)	11,336,803.08	12,125,552.27
Hebei Port Group Testing Technology Co., Ltd. (河北港口集團檢測技術有限公司)	1,391,756.63	265,248.00
Qinhuangdao Port Elevator Co., Ltd. (秦皇島港立電梯有限責任公司)	352,875.00	24,393.00
Qinhuangdao Port Authority Construction Company (秦皇島港務局建築公司)	54,132.00	–
Qinhuangdao Port Authority Industrial Service Company (秦皇島港務局實業服務公司)	25,000.00	–
Qinhuangdao Fangyuan Port Project Survey Co., Ltd. (秦皇島方圓港灣工程監理有限公司)	7,712.00	7,712.00
Qinhuangdao Oriental Petroleum Co., Ltd. (秦皇島東方石油有限公司)	9,860.00	–
	55,643,226.73	38,898,831.85
	87,897,153.98	46,085,166.11
Other payables		
<u>Due to the parent company</u>		
HPG	3,498,060.48	34,548,084.60
<u>Due to associates</u>		
Tangshan Jingtang Railway Co., Ltd. (唐山京唐鐵路有限公司)	400,000.00	400,000.00
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	967,218.75	58,781.25
	1,367,218.75	458,781.25
<u>Due to other related parties</u>		
HPG Port Engineering Co., Ltd. (河北港口集團港口工程有限公司)	31,567,733.19	31,866,735.54
Qinhuangdao Fangyuan Port Project Survey Co., Ltd. (秦皇島方圓港灣工程監理有限公司)	8,886,699.08	8,886,699.08
Qinhuangdao Port Elevator Co., Ltd. (秦皇島港立電梯有限責任公司)	133,312.00	287,307.00
Qinhuangdao Yida Geotechnical Engineering Co., Ltd. (秦皇島易達岩土工程有限公司)	10,500.00	10,500.00
Hebei Port Group Port Machinery Limited (河北港口集團港口機械有限公司)	7,700.10	1,200.10
	40,605,944.37	41,052,441.72
	45,471,223.60	76,059,307.57

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

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

	30 June 2018 (unaudited)	31 December 2017
Contract Liabilities		
<u>Advance from other related parties</u>		
Hebei Port Group International Logistics Co., Ltd. (河北港口集團國際物流有限公司)	3,973,285.50	3,509,635.50
Qinhuangdao Seaborne Coal Trading Market Co., Ltd. (秦皇島海運煤炭交易市場有限公司)	2,639,740.90	2,499,731.10
Hebei Bohai-rim Coal Trading Center Co., Ltd. (河北環渤海煤炭交易中心有限公司)	140,432.00	140,432.00
Qinhuangdao Qinren Shipping Co., Ltd.(秦皇島秦仁海運有限公司)	27,668.00	29,446.00
Qinhuangdao Oriental Petroleum Co., Ltd. (秦皇島東方石油有限公司)	23,000.00	–
Tangshan Caofeidian Industrial Zone Sea Shipping Agency Co., Ltd. (唐山曹妃甸工業區之海船務代理有限公司)	15,820.00	15,820.00
HPG Port Engineering Co., Ltd. (河北港口集團港口工程有限公司)	9,980.00	3,000.00
Qinhuangdao Shanco Shipping Agency Co.,Ltd. (秦皇島晉遠船務代理有限公司)	6,701.00	–
	6,836,627.40	6,198,064.60
Short-term borrowings		
<u>Loans to joint ventures</u>		
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	140,000,000.00	–
Long-term borrowings		
<u>Loans to associates</u>		
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	45,000,000.00	45,000,000.00

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

XI. COMMITMENTS

	30 June 2018 (unaudited)	31 December 2017
<u>Contracted but not provisioned for</u>		
Capital commitments	45,164,148.87	101,463,438.18
Investment commitments	1,140,000,000.00	1,140,000,000.00
	1,185,164,148.87	1,241,463,438.18

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XII. EVENTS AFTER THE BALANCE SHEET DATE

As at the approval date of the financial statements, the Group does not need to disclose events after the balance sheet date.

XIII. OTHER IMPORTANT ITEMS

1. Segment Reporting

Operating segments

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

Other information

Information about products and services

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

Geographical information

100% of the Group's operations and customers are located in Mainland China; 100% of its revenue is generated from Mainland China; and all the non-current assets are located in Mainland China.

Information about major customers

For the six months ended 30 June 2018, there were one (for the six months ended 30 June 2017: two) sales customer which individually contributed over 10% of the Group's total revenue. The revenue from such customer was RMB452,767,260.39 (for the six months ended 30 June 2017: RMB420,819,936.80 and RMB342,899,451.97, respectively).

2. Leases

	30 June 2018 (unaudited)	31 December 2017
Within 1 year (including 1 year)	46,893,279.50	93,616,159.00
1 to 2 years (including 2 years)	85,200.00	170,400.00
	46,978,479.50	93,786,559.00

As lessor

Fixed assets leased under operating leases are mainly the port facilities leased to third parties by the Group, such as stacking yards and machine equipments, under the lease contracts renewed on a yearly basis. Please refer to Note V.10.

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XIII. OTHER IMPORTANT ITEMS (CONTINUED)

3. Remunerations of Directors, Supervisors and Senior Management

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Fees	200,000.00	200,000.00
Other emoluments:		
Salaries and allowances	1,260,716.75	1,283,628.10
Pension scheme contributions	396,561.17	359,121.12
	1,657,277.92	1,642,749.22
	1,857,277.92	1,842,749.22

(1) Independent non-executive Directors

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

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
HOU Shujun	50,000.00	50,000.00
ZANG Xiuqing	50,000.00	50,000.00
LI Man Choi*	50,000.00	50,000.00
ZHAO Zhen*	50,000.00	50,000.00
CHEN Ruihua*	-	-
XIAO Zuhe*	-	-
	200,000.00	200,000.00

* LI Man Choi and ZHAO Zhen resigned from relevant positions of the Company in June 2018. CHEN Ruihua and XIAO Zuhe commenced to serve as independent non-executive Directors of the Company from June 2018.

There were no other remunerations payable to the independent non-executive Directors during the period (for the six months ended 30 June 2017: nil).

NOTES TO FINANCIAL STATEMENTS

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XIII. OTHER IMPORTANT ITEMS (CONTINUED)

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

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

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Salaries and allowances:		
Executive Directors:		
CAO Ziyu	–	–
YANG Wensheng	181,514.25	161,470.62
TIAN Yunshan*	–	51,316.18
WANG Lubiao	160,464.94	154,928.90
MA Xiping	180,464.94	154,928.90
	522,444.13	522,644.60

* TIAN Yunshan resigned from the relevant position at February 2017.

NOTES TO FINANCIAL STATEMENTS

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XIII. OTHER IMPORTANT ITEMS (CONTINUED)

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

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

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Salaries and allowances:		
Non-executive Directors:		
LI Jianping	-	-
MI Xianwei*	-	-
XIAO Xiang*	-	-
	-	-
Supervisors:		
CAO Dong	142,587.77	235,525.68
LIU Simang*	-	-
NIE Yuzhong*	-	-
CHEN Linyan	142,698.93	215,583.22
BU Zhouqing	-	-
MENG Bo*	-	-
BIAN Yingzi*	-	-
	285,286.70	451,108.90
	807,730.83	973,753.50

NOTES TO FINANCIAL STATEMENTS

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XIII. OTHER IMPORTANT ITEMS (CONTINUED)

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

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

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Pension scheme contributions:		
Executive Directors:		
CAO Ziyu	–	–
YANG Wensheng	48,200.00	48,877.32
TIAN Yunshan	–	18,446.16
WANG Lubiao	46,532.50	53,744.22
MA Xiping	47,509.30	53,181.78
	142,241.80	174,249.48
Non-executive Directors:		
LI Jianping	–	–
MI Xianwei*	–	–
XIAO Xiang*	–	–
	–	–
Supervisors:		
CAO Dong	65,443.60	40,523.70
LIU Simang*	–	–
NIE Yuzhong*	–	–
CHEN Linyan	63,476.60	37,023.72
BU Zhouqing	–	–
MENG Bo*	–	–
BIAN Yingzi*	–	–
	128,920.20	77,547.42
	271,162.00	251,796.90

* Mr. Mi Xianwei, Mr. Liu Simang and Mr. Nie Yuzhong have resigned from relevant positions of the Company during the Period. Ms. Xiao Xiang, Mr. Mengbo and Ms. Bian Yingzi have held relevant positions of the Company since June 2018.

NOTES TO FINANCIAL STATEMENTS

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XIII. OTHER IMPORTANT ITEMS (CONTINUED)

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

(3) Senior management

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Salaries and allowances:		
HE Zhenya	170,478.35	154,937.30
YANG Wensheng	–	–
GUO Xikun	170,464.94	154,937.30
NIE Yuzhong*	112,042.63	–
	452,985.92	309,874.60
Pension scheme contributions:		
HE Zhenya	47,469.00	53,740.14
YANG Wensheng	–	–
GUO Xikun	46,814.50	53,584.08
NIE Yuzhong	31,115.67	–
	125,399.17	107,324.22

* Mr. Nie Yuzhong was newly appointed to relevant positions of the Company in March 2018.

There was no agreement under which a director or senior management waived or agreed to waive any remuneration during the period (for the six months ended 30 June 2017: nil).

4. Five Highest Paid Senior Management

The five highest paid employees during the period included two Directors (for the six months ended 30 June 2017: two), details of whose remuneration are set out in 3. Remunerations of Directors, Supervisors and Senior Management of Note XIII. Details of remunerations of the remaining three non-director employees (for the six months ended 30 June 2017: three) during the period are as follows:

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Salaries and allowances	483,531.06	606,046.20
Pension scheme contributions	159,727.10	131,287.56
	643,258.16	737,333.76

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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XIII. OTHER IMPORTANT ITEMS (CONTINUED)

4. Five Highest Paid Senior Management (continued)

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

	Number of Employees	
	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Nil to RMB1,000,000	2	1

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

1. Bills Receivable and Accounts Receivable

	30 June 2018 (unaudited)	31 December 2017
Bills Receivable	156,606,785.42	294,653,342.67
Accounts Receivable	80,194,184.51	108,140,876.81
	236,800,969.93	402,794,219.48
Less: Provision for bad debts	10,825,821.39	33,293,467.71
	225,975,148.54	369,500,751.77
Bills Receivable		
	30 June 2018 (unaudited)	31 December 2017
Commercial acceptance notes	14,948,854.00	27,040,271.00
Bank acceptance notes	141,657,931.42	267,613,071.67
	156,606,785.42	294,653,342.67

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

1. Bills Receivable and Accounts Receivable (continued)

As at 30 June 2018, no bills receivable of the Company was pledged (31 December 2017: Nil).

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

	30 June 2018 (unaudited)		31 December 2017	
	Derecognised	Not derecognised	Derecognised	Not derecognised
Bank acceptance notes	1,400,000.00	-	13,067,335.00	-

Accounts Receivable

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

An ageing analysis of the accounts receivable is as follows:

	30 June 2018 (unaudited)	31 December 2017
Within 1 year	70,158,084.43	66,589,510.48
1 to 2 years	3,201,776.29	3,723,170.59
2 to 3 years	4,442,132.71	17,001,849.80
Over 3 years	2,392,191.08	20,826,345.94
	80,194,184.51	108,140,876.81
Less: Accounts receivable provision for bad debts	10,825,821.39	33,293,467.71
	69,368,363.12	74,847,409.10

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

	Opening balance	Provision for the Period/year	Reversal during the Period/year	Write-off during the Period/year	Closing balance
For the six months ended 30 June 2018 (unaudited)	33,293,467.71	-	(22,467,646.32)	-	10,825,821.39
31 December 2017	23,881,717.89	10,988,626.22	-	(1,576,876.40)	33,293,467.71

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

1. Bills Receivable and Accounts Receivable (continued)

As at 30 June 2018, the classification of accounts receivables is disclosed as follows:

	30 June 2018(unaudited)			
	Carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage of Provision (%)
Provision for bad debts by credit risk characteristics group	6,036,533.39	8	6,036,533.39	100
Provision for bad debts that are individually insignificant and are provided for bad debts separately	74,157,651.12	92	4,789,288.00	6
	80,194,184.51	100	10,825,821.39	

As at 31 December 2017, the classification of accounts receivables is disclosed as follows:

	31 December 2017			
	Carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage of Provision (%)
Provision for bad debts by portfolio of credit risk characteristics	102,104,343.42	94	27,256,934.32	27
Individually insignificant and are provided for bad debts on individual basis	6,036,533.39	6	6,036,533.39	100
	108,140,876.81	100	33,293,467.71	

As at 30 June 2018 and 31 December 2017, the Company performed the impairment test in respect of single accounts receivable that was significant, and considered that there was no need for the provision for bad debts separately. The Company grouped these accounts receivable and made the provision for bad debts in the method of ageing analysis.

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

	30 June 2018 (unaudited)			31 December 2017		
	Estimated carrying arising from default	Expected credit loss ratio (%)	Lifetime expected credit loss	Balance	Provided ratio (%)	Provision for bad debts
Within 1 year	70,158,084.43	4	2,777,803.72	66,589,510.48	5	3,329,475.52
1 to 2 years	2,283,759.90	34	769,105.34	845,826.20	10	84,582.62
2 to 3 years	946,855.71	50	473,427.86	15,465,900.80	30	4,639,770.24
Over 3 years	768,951.08	100	768,951.08	19,203,105.94	100	19,203,105.94
	74,157,651.12		4,789,288.00	102,104,343.42		27,256,934.32

For the six months ended 30 June 2018, there was no provision for bad debts of the Company (2017: RMB10,988,626.22) and the recovery or reversal of provision for bad debts was RMB22,467,646.32 (2017: Nil).

For the six months ended 30 June 2018, the Group had no accounts receivable actually written off (2017: RMB1,576,876.40).

NOTES TO FINANCIAL STATEMENTS

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

1. Bills Receivable and Accounts Receivable (continued)

As at 30 June 2018, accounts receivables from the five largest customers were as follows:

	Carrying amount(unaudited)		Provision for bad debts(unaudited)	
	Amount	Percentage of total	Amount	Provision ratio
		accounts receivables (%)		(%)
China Ocean Shipping Agency Qinhuangdao (中國秦皇島外輪代理有限公司)	26,906,647.51	33.55	1,065,328.20	4
Qinhuangdao Zhihai Shipping Agency Co., Ltd (秦皇島之海船務代理有限公司)	13,421,170.00	16.74	531,391.02	4
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	6,036,533.39	7.53	6,036,533.39	100
Suizhong Tianyu Port Shipping Services Co., Ltd. (綏中天予港口船舶服務有限公司)	5,864,327.00	7.31	232,189.20	4
Tangshan Yanshan Iron&Steel Co., Ltd. (唐山燕山鋼鐵有限公司)	5,420,260.00	6.76	214,607.03	4
	57,648,937.90	71.89	8,080,048.84	

As at 31 December 2017, accounts receivables from the five largest customers were as follows:

	Carrying amount		Provision for bad debts	
	Amount	Percentage	Amount	Provision ratio
		(%)		(%)
China Shougang International Trade and Engineering Co. (中國首鋼國際貿易工程有限公司)	33,005,649.06	30.52	23,234,358.32	70
Qinhuangdao Zhihai Shipping Agency Co., Ltd (秦皇島之海船務代理有限公司)	22,963,434.00	21.23	1,148,171.70	5
China Ocean Shipping Agency Qinhuangdao (中國秦皇島外輪代理有限公司)	16,196,835.00	14.98	809,841.75	5
Tangshan Caofeidian Coal Stevedoring Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	8,710,636.00	8.05	435,531.80	5
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	6,036,533.39	5.58	6,036,533.39	100
	86,913,087.45	80.36	31,664,436.96	

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

2. Available-for-sale financial assets

	31 December 2017		
	Carrying amount	Impairment provisions	Carrying amount
Available-for-sale equity instruments	562,752,357.95	–	562,752,357.95

As at 31 December 2017, the Company's equity investments of non-listed companies in China were measured at cost. The details are as follows:

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

Management of the Company is of the opinion that no provision for available-for-sale financial assets was necessary as at 31 December 2017.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

3. Long-term equity investments

For the six months ended 30 June 2018 (unaudited)

	Changes in the year						Year-end provision for impairment		
	Opening balance	Increase in investment	Investment gain or loss under the equity method	Other comprehensive income	Other equity movements	Declaration of cash dividend		Provision for impairment	Closing carrying amount
China Ocean Shipping Tally Co., Ltd. Qinquangdao Branch (秦皇島中外輪理貨有限責任公司)	12,085,383.72	-	-	-	-	-	-	12,085,383.72	-
Qinquangdao Ruigang Technology Import & Export Co., Ltd. (秦皇島瑞港技術進出口有限公司)	10,125,275.79	-	-	-	-	-	-	10,125,275.79	-
Qinquangdao Xingqianwan Container Terminal Co., Ltd. (秦皇島瑞港興業棧碼頭有限公司)	219,521,347.15	-	-	-	-	-	-	219,521,347.15	-
Cangzhou Bohai Port Co., Ltd. (滄州渤海港務有限公司)	2,464,400,000.00	-	-	-	-	-	-	2,464,400,000.00	-
Tangshan Caofeidian Coal Stevedoring Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	918,000,000.00	-	-	-	-	-	-	918,000,000.00	-
Gangzhou Huanghua Port Ore Stevedoring Co., Ltd. (廣州黃華港礦石港務有限公司)	1,930,000,000.00	-	-	-	-	-	-	1,930,000,000.00	-
Cangzhou Huanghuaqiang Crude Oil Port Co., Ltd. (滄州黃華港原油港務有限公司)	32,500,000.00	45,500,000.00	-	-	-	-	-	78,000,000.00	-
Tangshan Caofeidian Jigang Coal Port Co., Ltd. (唐山曹妃甸冀港煤炭港務有限公司)	49,500,000.00	-	-	-	-	-	-	49,500,000.00	-
Tangshan Port Investment & Development Co., Ltd. (唐山港口投資開發有限公司)	56,000,000.00	-	-	-	-	-	-	56,000,000.00	-
Qinquangdao Port Gangsheng (Hong Kong) Co., Ltd. (秦皇島港港盛(香港)有限公司)	40,115,000.00	-	-	-	-	-	-	40,115,000.00	-
Cangzhou Huanghua Port Bulk Cargo Port Co., Ltd. (滄州黃華港散貨港務有限公司)(Note)	50,000,000.00	-	-	-	-	-	-	50,000,000.00	-
Tangshan Caofeidian Jigang General Port Co., Ltd. (唐山曹妃甸冀港通用港務有限公司)	5,000,000.00	-	-	-	-	-	-	5,000,000.00	-
Total under cost method	5,787,247,006.66	45,500,000.00	-	-	-	-	-	5,832,747,006.66	-

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

3. Long-term equity investments (continued)

For the six months ended 30 June 2018 (unaudited) (continued)

	Opening balance	Changes in the year					Closing carrying amount	Year-end provision for impairment
		Increase in investment	Investment gain or loss under the equity method	Other comprehensive income	Other equity movements	Declaration of cash dividend		
Bohai Jin-Ji Port Investment and Development Co. Ltd. (渤海津冀港口投資發展有限公司)	354,417,198.06	-	(6,388,258.19)	-	30,619.31	-	348,059,559.18	-
Jinji International Container Terminal Co., Ltd. (津冀國際集裝箱碼頭有限公司)	54,246,590.22	-	(751,221.05)	-	6,804.29	-	53,502,173.46	-
Sub-total of joint ventures	408,663,788.28	-	(7,139,479.24)	-	37,423.60	-	401,561,732.64	-
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	-	-	-	-	-	-	-	-
Hebei Port Group Finance Company Limited (HPG財務有限公司)	631,702,694.96	-	10,281,797.75	(15,001.80)	-	641,969,490.91	-	
Tangshan Caofeidian Shipye Port Co., Ltd. (唐山曹妃甸實業港務有限公司)	1,076,320,472.10	-	62,569,086.49	-	2,046,385.83	1,084,935,944.42	-	
Qinhuangdao Xing'ao Qin'eng Energy Storage & Transportation Co., Ltd. (秦皇島興泰港務能源儲運有限公司)	-	-	-	-	-	-	(20,800,000.00)	
Tangshan Jingtang Railway Co., Ltd. (唐山京唐鐵路有限公司)	273,528,916.50	-	(657,651.09)	-	-	272,871,265.41	-	
Gangzhou Ocean Shipping Tally Co., Ltd. (廣州中理外輪理貨有限公司)	3,263,655.53	-	(670,949.86)	-	-	2,592,705.67	-	
Sub-total of associates	1,984,815,739.09	-	71,522,283.29	(15,001.80)	2,046,385.83	2,002,369,406.41	(20,800,000.00)	
Total under equity method	2,393,479,527.37	-	64,382,804.05	(15,001.80)	2,083,809.43	2,403,931,139.05	(20,800,000.00)	
Total	8,180,726,534.03	45,500,000.00	64,382,804.05	(15,001.80)	2,083,809.43	8,236,676,145.71	(20,800,000.00)	

Note: As at 2 January 2018, the former Cangzhou Huanghuangang Coal Oil Port Co., Ltd. was renamed as Cangzhou Huanghua Port Bulk Cargo Port Co., Ltd.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

3. Long-term equity investments (continued)

2017

	Changes in the year							Year-end provision for impairment
	Opening balance	Increase in investment	Investment gain or loss under the equity method	Other comprehensive income	Other equity movements	Declaration of cash dividend	Provision for impairment	
China Ocean Shipping Tally Co., Ltd. Qinhuangdao Branch (秦皇島中外輪理貨有限責任公司)	12,085,383.72	-	-	-	-	-	12,085,383.72	-
Qinhuangdao Ruigang Technology Import & Export Co., Ltd. (秦皇島瑞港技術進出口有限公司)	10,125,275.79	-	-	-	-	-	10,125,275.79	-
Qinhuangdao Xin gangwan Container Terminal Co., Ltd. (秦皇島新港馨裝箱碼頭有限公司)	219,521,347.15	-	-	-	-	-	219,521,347.15	-
Cangzhou Bohai Stevedoring Co., Ltd. (滄州渤海港務有限公司)	2,464,400,000.00	-	-	-	-	-	2,464,400,000.00	-
Tangshan Caofeidian Coal Stevedoring Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	918,000,000.00	-	-	-	-	-	918,000,000.00	-
Cangzhou Huanghua Port Ore Stevedoring Co., Ltd. (滄州黃華港石港務有限公司)	1,930,000,000.00	-	-	-	-	-	1,930,000,000.00	-
Cangzhou Huanghua Port Crude Oil Port Co., Ltd. (滄州黃華港原油港務有限公司)	32,500,000.00	-	-	-	-	-	32,500,000.00	-
Tangshan Caofeidian Jigang Coal Port Co., Ltd. (唐山曹妃甸黃港煤炭港務有限公司)	49,500,000.00	-	-	-	-	-	49,500,000.00	-
Tangshan Port Investment & Development Co., Ltd. (唐山港口投資開發有限公司)	56,000,000.00	-	-	-	-	-	56,000,000.00	-
Qinhuangdao Port Gangsheng (Hong Kong) Co., Ltd. (秦皇島港盛(香港)有限公司)	40,115,000.00	-	-	-	-	-	40,115,000.00	-
Cangzhou Huanghua Port Coal Oil Port Co., Ltd. (滄州黃華港煤炭港務有限公司)	50,000,000.00	-	-	-	-	-	50,000,000.00	-
Tangshan Caofeidian Jigang General Port Co., Ltd. (唐山曹妃甸黃港通用港務有限公司)	5,000,000.00	-	-	-	-	-	5,000,000.00	-
Total under equity method	5,787,247,006.66	-	-	-	-	-	5,787,247,006.66	-

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

3. Long-term equity investments (continued)

2017 (continued)

	Changes in the year							Year-end provision for impairment	
	Opening balance	Increase in investment	Investment gain or loss under the equity method	Other comprehensive income	Other equity movements	Declaration of cash dividend	Provision for impairment		Closing carrying amount
Bohai Jin-Ji Port Investment and Development Co., Ltd. (渤海津冀港口投資發展有限公司)	89,205,396.06	300,000,000.00	(347,888,198.00)	-	-	-	-	354,417,198.06	-
Jinji International Container Terminal Co., Ltd. (津冀國際集裝箱碼頭有限公司)	-	61,554,044.14	(7,307,453.92)	-	-	-	-	54,246,590.22	-
Sub-total of associates	89,205,396.06	361,554,044.14	(42,095,651.92)	-	-	-	-	408,663,788.28	-
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	-	-	-	-	-	-	-	-	-
Hebei Port Group Finance Company Limited (HP財務有限公司)	217,911,512.02	400,000,000.00	13,776,181.14	15,001.80	-	-	-	631,702,694.96	-
Tangshan Caofeidian Shijie Port Co., Ltd. (唐山曹妃甸實業港務有限公司)	1,024,530,094.60	-	132,949,776.29	-	2,840,601.21	(84,000,000.00)	-	1,076,320,472.10	-
Qinhuangdao Xingao Qinqing Energy Storage & Transportation Co., Ltd. (秦皇島興業港能儲運有限公司)	20,000,000.00	800,000.00	-	-	-	(20,800,000.00)	-	-	(20,800,000.00)
Tangshan Jingqiang Railway Co., Ltd. (唐山京唐鐵路有限公司)	34,935,192.73	240,000,000.00	(1,406,276.23)	-	-	-	-	273,528,916.50	-
Cangzhou Ocean Shipping Tally Co., Ltd. (滄州中理外輪理貨有限公司)	5,727,141.22	-	17,657.51	-	-	(2,481,143.20)	-	3,263,655.53	-
Sub-total of associates	1,303,103,940.57	640,800,000.00	145,337,338.71	15,001.80	2,840,601.21	(86,481,143.20)	(20,800,000.00)	1,984,815,739.09	(20,800,000.00)
Total under equity method	1,392,309,336.63	1,002,354,044.14	103,241,686.79	15,001.80	2,840,601.21	(86,481,143.20)	(20,800,000.00)	2,393,479,527.37	(20,800,000.00)
Total	7,179,556,343.29	1,002,354,044.14	103,241,686.79	15,001.80	2,840,601.21	(86,481,143.20)	(20,800,000.00)	8,180,726,554.03	(20,800,000.00)

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

3. Long-term equity investments (continued)

The details of provisions for impairment of long-term equity investment are as follows:

30 June 2018 (unaudited)

	Opening balance	Increase for the Period	Decrease for the Period	Closing balance
Qinhuangdao Xing'ao Qin'gang Energy Storage & Transportation Co., Ltd.	20,800,000.00	-	-	20,800,000.00

As at 31 December 2017

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Qinhuangdao Xing'ao Qin'gang Energy Storage & Transportation Co., Ltd.	-	20,800,000.00	-	20,800,000.00

4. Other equity instrument investments

For the six months ended 30 June 2018(unaudited)

	Cost	Changes in fair value accumulated in other comprehensive income	Fair Value	Dividend income in current period	
				Equity instruments derecognized in current period	Equity instruments held
SDIC Caofeidian Port Co., Ltd. (國投曹妃甸港口有限公司)	498,000,000.00	10,970,787.25	508,970,787.25	-	-
Qinhuangdao Ruigang Coal Logistics Co., Ltd. (秦皇島魯港煤炭物流有限公司)	34,000,000.00	(7,268,757.44)	26,731,242.56	-	-
Cangzhou Huanghuagang Steel Logistics Co., Ltd. (滄州黃驊港鋼鐵物流有限公司)	30,752,357.95	14,109,190.37	44,861,548.32	-	-
Total	562,752,357.95	17,811,220.18	580,563,578.13	-	-

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

5. Operating Revenue and Cost

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Revenue	2,652,479,851.41	2,588,938,027.55
Operating costs	1,285,323,250.10	1,575,648,553.32

Revenue is as follows:

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Revenue from service in relation to coal and relevant products	2,395,346,787.32	2,323,233,675.61
Revenue from service in relation to metal ore and relevant products	44,318,597.69	50,356,195.30
Revenue from service in relation to general and other cargoes	70,398,701.78	89,222,809.44
Revenue from service in relation to liquefied cargoes	29,580,969.87	33,351,974.35
Revenue from others	112,834,794.75	92,773,372.85
	2,652,479,851.41	2,588,938,027.55

6. Investment Income

	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Income from long-term equity investments accounted for using the cost method	-	2,520,000.00
Income from long-term equity investments under equity method	64,382,804.05	58,462,814.29
Including: Investment income from associates	71,522,283.29	69,211,543.19
Investment income from joint ventures	(7,139,479.24)	(10,748,728.90)
	64,382,804.05	60,982,814.29

SUPPLEMENTAL INFORMATION ON FINANCIAL STATEMENTS

30 June 2018

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1. SCHEDULE OF EXTRAORDINARY PROFIT AND LOSS

	For the six months ended 30 June 2018 (unaudited)
Losses on disposal of non-current assets	8,597,422.44
Government grants credited to profit or loss for the current period	18,169,924.96
Gain on entrusted investment or asset management	2,486,975.53
Gain on changes in fair value from financial assets held for trading	57,222.22
Non-operating income and expenses other than the above items	3,739,097.77
Sub-total	33,050,642.92
Less: Effect of income tax	8,362,273.42
Less: Effect of non-controlling interests (after tax)	1,051,820.77
Total	23,636,548.73

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

2. DILUTED RETURN ON NET ASSETS AND EARNINGS PER SHARE

For the six months ended 30 June 2018(unaudited)

	Return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to holders of ordinary shares of the company	5.27%	0.13	0.13
Net profit attributable to holders of ordinary shares of the company after deducting the non-recurring gain and loss	5.10%	0.13	0.13

For the six months ended 30 June 2017 (unaudited)

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

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“A Share(s)”	the RMB ordinary share(s) issued by the Company in China, which are subscribed for in RMB and listed on the SSE, with a nominal value of RMB1.00 each
“Audit Committee”	the Audit Committee of the Board
“Berth”	area for mooring of vessels on the shoreline. A berth means one designated place for a vessel to moor
“Board of Directors” or “Board”	the Board of Directors of the Company
“Cangzhou Bohai”	Cangzhou Bohai Port Co., Ltd.* (滄州渤海港務有限公司), a company incorporated in the PRC with limited liability on 31 October 2007, with 96.08% of its equity interest held by the Company as at the date of this report
“Caofeidian Coal Port”	Tangshan Caofeidian Coal Stevedoring Co., Ltd.* (唐山曹妃甸煤炭港務有限公司), a company incorporated in the PRC with limited liability on 10 April 2012, with 51.00% of its equity interest held by the Company as at the date of this report
“Caofeidian Port”	Caofeidian Port Zone in Tangshan Port, Tangshan City, Hebei Province
“Company”	Qinhuangdao Port Co., Ltd.* (秦皇島港股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC on 31 March 2008
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“corresponding period of 2017”	the six months ended 30 June 2017
“Director(s)”	Director(s) of the Company
“Dry bulk”	solid commodity cargo comprised of major dry bulk (coal, metal ore and grain) and other dry bulk commodities such as sugar, cement and fertilizer
“Group”, “the Group”, “us” or “we”	the Company and all of its subsidiaries (unless the context otherwise requires)
“H Share(s)”	overseas listed foreign invested ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are traded in Hong Kong dollars and listed and dealt in, on the Stock Exchange
“harbor”	a port of haven where ships may anchor
“HK\$” or “Hong Kong dollar(s)”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HPG”	Hebei Port Group Co., Ltd.* (河北港口集團有限公司), a limited liability company incorporated under the laws of the PRC, previously known as Qinhuangdao Port Group Co., Ltd.* (秦皇島港務集團有限公司), holds 54.27% equity interest of the Company as at the date of this report

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Huanghua Port”	Huanghua Port in Cangzhou City, Hebei Province
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“Nomination Committee”	the nomination committee of the Board
“PRC” or “China”	the People’s Republic of China which, for the purpose of this report, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Qinhuangdao Port”	Qinhuangdao Port in Qinhuangdao City, Hebei Province
“Remuneration and Appraisal Committee”	the Remuneration and Appraisal Committee of the Board
“Reporting Period”	the six months ended 30 June 2018
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended from time to time
“Shareholder(s)”	holder(s) of our Shares
“Share(s)”	A Share(s) and/or H Share(s) (as the case may be)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategy Committee”	the Strategy Committee of the Board
“SSE”	the Shanghai Stock Exchange
“Supervisor(s)”	the member(s) of the Supervisory Committee
“Supervisory Committee”	the Supervisory Committee of the Company established pursuant to the PRC Company Law
“Terminal”	a major construction of a harbour which is designated for mooring vessels, loading and unloading cargoes and boarding travelers
“TEU” or “container”	a box made of aluminum, steel or fiberglass and used to transport by ship, rail or barge. The standardized dimension (i.e one TEU) is 20 feet in length, 8 feet and 6 inches in height and 8 feet in width
“Throughput”	a measure of the volume of cargo handled by a port. Where cargoes are transshipped, each unloading and loading process is measured separately as part of throughput