



# 青島港國際股份有限公司

QINGDAO PORT INTERNATIONAL CO., LTD.\*

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

Stock Code: 06198.HK 601298.SH

## ANNUAL REPORT 2018



For identification  
purpose only

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# CONTENTS

	PAGE
DEFINITIONS	2
CORPORATE INFORMATION	6
COMPANY PROFILE	8
2018 MAJOR EVENTS	12
FINANCIAL HIGHLIGHTS	17
CHAIRMAN'S STATEMENT	19
MANAGEMENT DISCUSSION AND ANALYSIS	22
DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT	51
DIRECTORS' REPORT	59
SUPERVISORS' REPORT	79
CORPORATE GOVERNANCE REPORT	82
AUDITOR'S REPORT	98
CONSOLIDATED AND COMPANY BALANCE SHEET	104
CONSOLIDATED AND COMPANY INCOME STATEMENT	108
CONSOLIDATED AND COMPANY CASH FLOW STATEMENT	111
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	115
COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	117
NOTES TO THE FINANCIAL STATEMENTS	119





# DEFINITIONS

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

“2018 AGM”	the annual general meeting for the year 2018 of the Company to be held on 17 May 2019
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Board”	the Board of Directors of Qingdao Port International Co., Ltd. (青島港國際股份有限公司)
“CFS”	container freight station, of which, container freight station at loading ports refers to the location designated by carriers for the receiving of cargo to be loaded into containers by the carrier, while container freight station at discharge or destination ports refer to the location designated by carriers for de-vanning of containerized cargo
“Commonly Held Entities”	has the meaning ascribed to it in the Listing Rules
“Company”	Qingdao Port International Co., Ltd. (青島港國際股份有限公司), a joint stock company established in the PRC with limited liability on 15 November 2013
“Consolidated Group Companies”	the Company (including its branches) and its subsidiaries which are consolidated into the consolidated financial statements of the Company
“COSCO SHIPPING Group”	China COSCO Shipping Corporation Limited (中國遠洋海運集團有限公司), a company established in PRC with limited liability and the ultimate controlling shareholder of COSCO SHIPPING Ports and Shanghai China Shipping Terminal, holding approximately 18.60% equity interests in the Company, which is a substantial shareholder and a connected person of the Company, when references are made to continuing transactions, also including its subsidiaries, joint ventures with 30% and more equity interests held by COSCO SHIPPING Group and Commonly Held Entities of COSCO SHIPPING Group
“COSCO SHIPPING Ports”	COSCO SHIPPING Ports Limited (中遠海運港口有限公司), a limited liability company established in Bermuda with its shares listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1199), holding approximately 17.12% equity interests in the Company, which is a substantial shareholder and a connected person of the Company
“Dagang Branch”	Dagang Branch of Qingdao Port International Co., Ltd. (青島港國際股份有限公司大港分公司), a branch of the Company, which is mainly engaged in the business of domestic container, break bulk, grains and other cargo handling and ancillary services
“Datang Port”	Datang Qingdao Port Co., Ltd. (大唐青島港務有限公司), a subsidiary in which the Company holds 51% equity interests, which is mainly engaged in construction and management of terminals and its ancillary facilities; procurement, consulting and invitation of tender for the equipment and materials needed by terminals; leasing, maintenance and management of terminals and their ancillary facilities; cargo loading and unloading, warehousing services (excluding dangerous goods) and international freight forwarding
“Director(s)”	the director(s) of the Company

“Distributable Profit”	calculated by net profit attributable to shareholders of the Company in the scope of the consolidated financial statements prepared in the PRC Accounting Standards for Business Enterprise, deducting recovery of accumulated losses, appropriation to statutory surplus reserve and other necessary reserve by the parent company and subsidiaries as well as the impact of the appraisal value-added amount of the asset invested in the Company by Qingdao Port (Group) Co., Ltd., the promoter at the establishment of the Company, on net profit for the year, etc.
“Dongjiakou Branch”	Dongjiakou Branch of Qingdao Port International Co., Ltd. (青島港國際股份有限公司董家口分公司), a branch of the Company, which is mainly engaged in the business of break bulk cargo handling and ancillary services
“Global Offering”	the Hong Kong Public Offering and the International Offering (as defined in the Prospectus) conducted by the Company in May 2014 subject to and in accordance with the terms and conditions set out in the Prospectus and the related application forms
“Group”	the Company and its branches and subsidiaries; when references are made to operational data such as throughput, including joint ventures and associates of the Company
“Haiwan Liquid Chemical”	Qingdao Haiwan Liquid Chemical Port Operation Co., Ltd. (青島海灣液體化工港務有限公司), a joint venture in which the Company holds 50% equity interests and which is mainly engaged in the business of liquid bulk handling and ancillary services
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huaneng Qingdao”	Huaneng Qingdao Port Operation Co., Ltd. (華能青島港務有限公司), a joint venture in which the Company holds 49% equity interests, which is mainly engaged in the business of dry bulk cargo and break bulk cargo handling and ancillary services
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mercuria Logistics”	Qingdao Haiye Mercuria Logistics Co., Ltd. (青島海業摩科瑞物流有限公司), a subsidiary in which the Company holds 62.07% equity interests and which is mainly engaged in freight forwarding, importing and exporting cargo warehousing, transshipment and distribution, construction of warehousing and logistics facilities, etc.
“Mercuria Oil Terminal”	Qingdao Haiye Mercuria Oil Terminal Co., Ltd. (青島海業摩科瑞倉儲有限公司), a subsidiary in which the Company holds 65% equity interests and which is mainly engaged in construction and management of warehouse facilities
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“New H Shares Issue”	the issuance of the 243,000,000 new H shares of the Company by way of placing pursuant to the specific mandate granted by the shareholders on the 2017 first extraordinary general meeting, 2017 first domestic shareholders’ class meeting and 2017 first H shareholders’ class meeting of the Company held on 10 March 2017

## DEFINITIONS

“One Belt and One Road”	the Silk Road Economic Belt and 21st Century Maritime Silk Road
“PRC” or “China”	the People’s Republic of China, and for the purpose of this report, excluding Hong Kong, Macau and Taiwan
“Prospectus”	the listing document of the Company in relation to the global offering dated 26 May 2014
“QDOT”	Qingdao Port Dongjiakou Ore Terminal Co., Ltd. (青島港董家口礦石碼頭有限公司), a joint venture in which the Company holds 30% equity interests, which is mainly engaged in the business of ore, coal and other cargo handling and ancillary services
“QDP”	Qingdao Port (Group) Co., Ltd. (青島港(集團)有限公司), the controlling shareholder of the Company, which holds approximately 54% equity interests in the Company as at the date of this report, when references are made to continuing transactions, also including its subsidiaries, joint ventures with 30% and more equity interests held by QDP and Commonly Held Entities of QDP
“QDP Financial Holdings”	Qingdao Port Financial Holdings Limited (青島港金融控股有限公司), a wholly-owned subsidiary of QDP, when references are made to continuing transactions, also including its subsidiaries, joint ventures with 30% and more equity interests held by QDP Financial Holdings and Commonly Held Entities of QDP Financial Holdings (if applicable)
“QDP Investment”	Qingdao Port Investment and Construction (Group) Co., Ltd. (青島港口投資建設(集團)有限責任公司), a wholly-owned subsidiary of QDP
“Qiangang Branch”	Qiangang Branch of Qingdao Port International Co., Ltd. (青島港國際股份有限公司前港分公司), a branch of the Company, which is mainly engaged in the business of ore, coal and other cargo handling and ancillary services
“Qingdao Finance”	Qingdao Port Finance Co., Ltd. (青島港財務有限責任公司), a subsidiary jointly established by the Company (holding 70% equity interests) and QDP (holding 30% equity interests), which is mainly engaged in the provision of depository services, credit granting services, financial and financing advisory services, credit assurance services and relevant consulting and agency services; trade receivables collection and payment services; internal fund transfer and settlement services formulation of proposals for the corresponding settlement and clearing services and other financial services to QDP and its member companies
“Qingdao OST”	Qingdao Ocean Shipping Tally Co., Ltd. (青島外輪理貨有限公司), a subsidiary in which the Company holds 84% equity interests, which is mainly engaged in the business of tallying services, when references are made to continuing transactions, also including its subsidiaries, joint ventures with 30% and more equity interests held by Qingdao OST and Commonly Held Entities of Qingdao OST (if applicable)
“Qingdao Port Financial Leasing”	Qingdao Port Financial Leasing Co., Ltd. (青島港國際融資租賃有限公司), an indirectly wholly-owned subsidiary of QDP
“Qingdao Port Logistics”	Qingdao Port International Logistics Co., Ltd. (青島港國際物流有限公司), a wholly-owned subsidiary of the Company, which is mainly engaged in the business of logistics value-added services, such as transportation, agency and warehousing services

“Qingdao Shihua”	Qingdao Shihua Crude Oil Terminal Co., Ltd. (青島實華原油碼頭有限公司), a joint venture in which the Company holds 50% equity interests, which is mainly engaged in the business of liquid bulk handling and ancillary services
“Qingwei Container”	Weihai Qingwei Container Terminal Co., Ltd. (威海青威集裝箱碼頭有限公司), a joint venture in which the Company holds 49% equity interests, which is mainly engaged in the business of container handling and ancillary services
“Qingyin Financial Leasing”	Qingdao Qingyin Financial Leasing Co., Ltd. (青島青銀金融租賃有限公司), an associate in which the Company holds 9% equity interests, which is mainly engaged in the business of assets leasing
“QQCT”	Qingdao Qianwan Container Terminal Co., Ltd. (青島前灣集裝箱碼頭有限責任公司), a joint venture in which the Company holds 51% equity interests (but is not consolidated into consolidated financial statements of the Company as the Company does not have control over it), which is mainly engaged in the business of container handling and ancillary services
“QQCTN”	Qingdao Qianwan New Container Terminal Co., Ltd. (青島新前灣集裝箱碼頭有限責任公司), a subsidiary in which QQCT holds 95.32% equity interests, which is mainly engaged in the business of container handling and ancillary services
“QQCTU”	Qingdao Qianwan United Container Terminal Co., Ltd. (青島前灣聯合集裝箱碼頭有限責任公司), a joint venture in which QQCTN holds 50% equity interests, which is mainly engaged in the business of container handling and ancillary services
“Shanghai China Shipping Terminal”	Shanghai China Shipping Terminal Development Co., Ltd., a company established in the PRC and a wholly-owned subsidiary of COSCO SHIPPING Ports
“Subscription of Domestic Shares”	the subscription of an aggregate of 1,015,520,000 new domestic shares of the Company by Shanghai China Shipping Terminal
“TEU”	an abbreviation of Twenty-Foot Equivalent Unit, an international measuring unit with the standard a container with a length of 20 feet, a width of eight feet and a height of eight feet and six inches, also known as the international unit of standard container
“Valemax”	the largest dry bulk carrier in the world with a capacity of up to 400,000 DWTs, which is mainly used to transport, among other things, ore and ore sand exploited from mines in Brazil
“West United”	Qingdao Qianwan West Port United Terminal Co., Ltd. (青島前灣西港聯合碼頭有限責任公司), a joint venture in which the Company holds 51% equity interests (but is not consolidated into consolidated financial statements of the Company as the Company does not have control over it), and which is mainly engaged in the business of dry bulk cargo and break bulk cargo handling and ancillary services

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

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

# CORPORATE INFORMATION

## CHINESE NAME OF THE COMPANY

青島港國際股份有限公司

## ENGLISH NAME OF THE COMPANY

Qingdao Port International Co., Ltd.

## LEGAL REPRESENTATIVE

Mr. ZHENG Minghui *(Note)*

*Note:* Due to his age, Mr. ZHENG Minghui resigned as an executive Director, the chairman of the Board and other positions on 29 January 2019. Mr. JIAO Guangjun, the vice chairman of the Board, performs the duties of the chairman of the Board and the legal representative of the Company from 29 January 2019 until the election of the new chairman of the Board.

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

### (1) Headquarters in the PRC:

No. 12 Jingba Road  
Huangdao District, Qingdao  
Shandong Province, PRC

### (2) Principal Place of Business in Hong Kong:

31th Floor  
Tower Two, Times Square  
1 Matheson Street Causeway Bay  
Hong Kong

## DATE OF LISTING

6 June 2014 (for H shares);  
21 January 2019 (for A shares)

## PLACE OF LISTING

Main Board of The Stock Exchange of Hong Kong Limited,  
Main Board of the Shanghai Stock Exchange

## ABBREVIATED CHINESE STOCK NAME

青島港 (applied to both H shares and A shares)

## ABBREVIATED ENGLISH STOCK NAME

Qingdao Port (only applied to H shares)

## STOCK CODE

06198 (for H shares); 601298 (for A shares)

## TELEPHONE

86-532-82982011

## FACSIMILE

86-532-82822878

## EMAIL

qggj@qdport.com

## WEBSITE

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

## BOARD OF DIRECTORS

### (1) Executive Directors

Mr. ZHANG Jiangnan (President)  
Ms. JIANG Chunfeng

### (2) Non-executive Directors

Mr. JIAO Guangjun (Vice Chairman)  
Mr. ZHANG Wei  
Mr. CHU Xiaozhong

### (3) Independent Non-executive Directors

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

## SUPERVISORY COMMITTEE

Mr. ZHANG Qingcai (Chairman)  
Mr. LI Wucheng  
Mr. LI Xuxiu  
Mr. LIU Dengqing  
Mr. LIU Shuiguo  
Ms. WANG Xiaoyan

## COMPANY SECRETARY

Mr. CHEN Fuxiang

## AUTHORISED REPRESENTATIVES

Mr. JIAO Guangjun  
Mr. CHEN Fuxiang

## SPECIAL COMMITTEES OF BOARD OF DIRECTORS

### (1) Strategy and Development Committee

Mr. JIAO Guangjun  
Mr. ZHANG Wei  
Mr. ZHANG Jiangnan  
Mr. CHU Xiaozhong  
Ms. JIANG Chunfeng  
Mr. WANG Yaping

*Note:* Since 29 January 2019 on which Mr. ZHENG Minghui resigned as the chairman of the strategy and development committee of the Board, the position of the chairman of the strategy and development committee of the Board has been vacant and will be filled after the Board elects the new chairman of the Board. Mr. JIAO Guangjun, the vice chairman of the Board, performs the duties of the chairman of the strategy and development committee of the Board from 29 January 2019 until the election of the new chairman of the Board.

### (2) Audit Committee

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

### (3) Remuneration Committee

Mr. WANG Yaping (Chairman)  
Mr. JIAO Guangjun  
Mr. YANG Qiulin

### (4) Nomination Committee

Mr. WANG Yaping (Chairman)  
Mr. JIAO Guangjun  
Mr. YANG Qiulin

## H SHARE REGISTRAR

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

## LEGAL ADVISERS

### (1) As to Hong Kong law:

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

### (2) As to PRC law:

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

## AUDITOR

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

## PRINCIPAL BANKERS

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



# COMPANY PROFILE



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

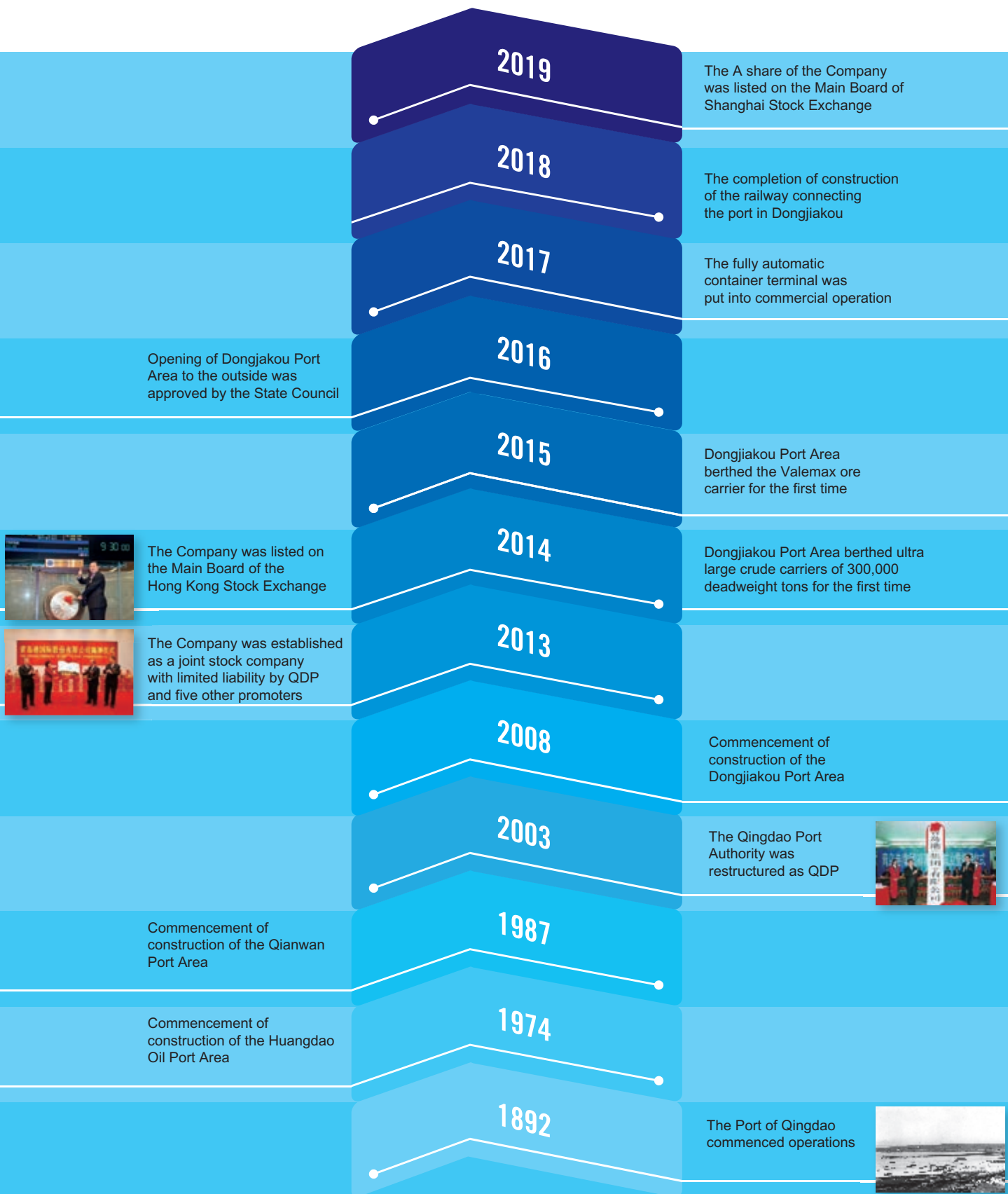
The Company was established on 15 November 2013. It was listed on the Main Board of the Hong Kong Stock Exchange on 6 June 2014 and was listed on the Main Board of the Shanghai Stock Exchange on 21 January 2019.

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

As of 31 December 2018, the Group operated 84 berths at the Port of Qingdao, which included 54 berths dedicated to handling a single type of cargo and 30 berths capable of handling metal ore, coal and other general cargo.

Leveraging on the natural deep-water capacity and industry-leading facilities and equipment, services and management, the Group can accommodate the world's largest container vessels, iron ore vessels and oil tankers. The Group also possesses world-leading stevedoring efficiency. During the year ended 31 December 2018, the Group continued ranking first in the world in terms of the berth efficiency of Maersk vessels at the Port of Qingdao, with a single-machine average operating rate of 43.23 units/hour for fully automatic container terminal and a single-machine unloading rate continued to maintain at 2,856 tons per hour for iron ore.

# COMPANY PROFILE





# COMPANY PROFILE

## DISTRIBUTION OF PORT AREAS

### 1 Qianwan Port Area

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

### 2 Huangdao Oil Port Area

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



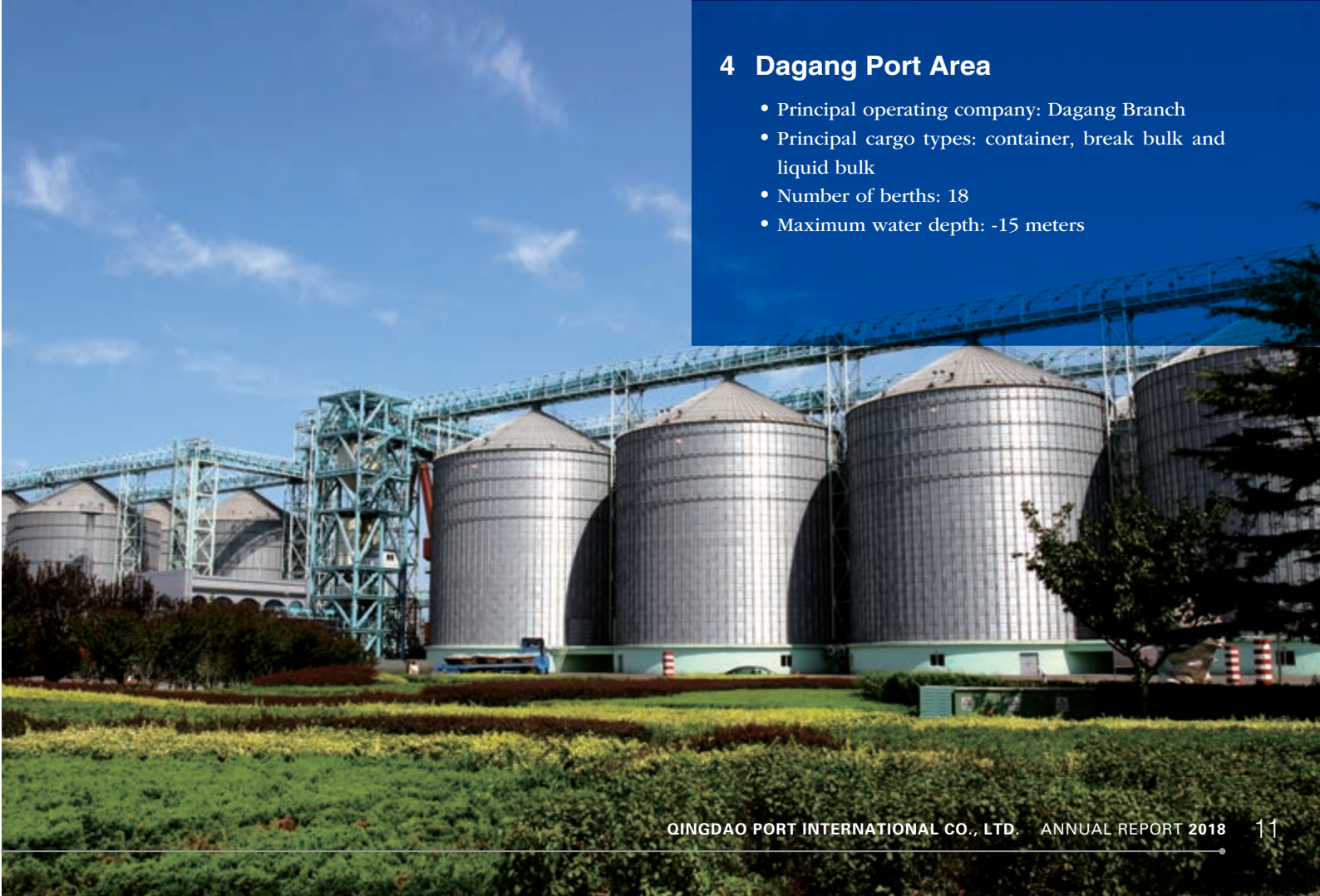


## COMPANY PROFILE



### 3 Dongjiakou Port Area

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



### 4 Dagang Port Area

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



## 2018 MAJOR EVENTS



### JANUARY:

Mr. ZHENG Minghui, the then chairman of the Company, led a group to visit the clients in Beijing, Hebei Province, Henan Province, Shandong Province and other places, soliciting their advice and suggestions on further cooperation and win-win development.



### FEBRUARY:

The Company entered into a strategic cooperation framework agreement with Jimo International Inland Management Committee (即墨國際陸港管委) and Qilu Transportation Qingdao Investment Development Co., Ltd. (齊魯交通青島投資發展有限公司) to jointly promote the construction of Jimo port area of the Port of Qingdao.

The Company jointly established Ocean Bridge International Port Operation and Management Co., Ltd. (海路國際港口運營管理有限公司) with COSCO SHIPPING Ports, actively explore model innovation of port operation and management and build up an example for the operation and management of globalized terminals.



### MARCH:

As the only port enterprise obtained the license as the one of the first batch of the designated warehouses for delivery of crude oil futures in China, Qingdao Shihua has been qualified to conduct crude oil futures delivery business, which further expands the service functions of the port to create new profit growth point.

The Company held “Promotion Meeting for 2018 Qingdao Port Iron Ore Logistic Services” to promote the comprehensive service advantage in iron ore and expand dry bulk market.





## 2018 MAJOR EVENTS

### APRIL:

QQCTN set a new world record of the single-machine average operating rate of 42.9 units/hour for the fully automated container terminal, marking steady enhancement of its operating efficiency.



### JUNE:

The construction commencement ceremony for the phase II of the fully automated container terminal owned by QQCTN was held which maintains held the leading position among automated terminals and strengthens the influence and say of the Qingdao Port automated terminal.



### JULY:

The phase I of Jimo port area of the Port of Qingdao was officially launched to speed up building international logistic pathways for multimodal transport by road, railway and sea and push strategic layout of inland ports of Qingdao Port.

Mr. ZHENG Minghui, the then chairman of the Company, visited Greece and Morocco with the Qingdao Municipal delegation, entered into a strategic cooperation framework agreement with the port authority of Piraeus and made field visit at the Port of Casablanca.



## 2018 MAJOR EVENTS

### AUGUST:

The Company launched the special activity with the theme of “Enhance Service by Reform and Innovation” to comprehensively improve service norm, efficiency, standard and quality to raise the level of service.



### SEPTEMBER:

The application for the A share offering of the Company was reviewed by the Public Offering Review Committee of the China Securities Regulatory Commission, marking a critical step towards dual-engine drive of A+H Share.

### OCTOBER:

The bonded crude oil trade and transshipment business were officially launched in the Dongjiakou port area, pushing forward the establishment of international crude oil trade and distribution center.





## 2018 MAJOR EVENTS

### NOVEMBER:

Mr. ZHENG Minghui, the then chairman of the Company, visited Vale International SA and entered into a framework agreement to jointly strive to expand iron ore blending and transshipment business.

Development achievements of Qingdao Port were displayed the state exhibition, namely, Great Change: A Large Exhibition Celebrating the 40th Anniversary of Reform and Opening-up, and the influence of Qingdao Port continued to increase.



### DECEMBER:

The construction of the railway connecting the port in Dongjiakou was successfully completed. The construction of phase II of the crude oil terminal with a capacity to dock 300,000-ton vessels in Dongjiakou port area was held. The Guangrao reservoir area, an ancillary project to Dongjiakou Port-Weifang-Central and Northern Shandong oil pipeline was put into operation and the commencement ceremony for the phase III of the Dongjiakou Port-Weifang-Central and Northern Shandong oil pipeline project was also held. The transportation system of the port was further perfected.

The Group's first self-purchased and self-operating bulk vessel "M.V. Qingdao Port Dagang" was put into operation, signifying a historic stride forward from "Non-vessel Operating Common Carrier (NVOCC)" to "Vessel Operating Common Carrier (VOCC)" in bulk cargo transportation at the Port of Qingdao as well as the extension of its comprehensive logistic services from inland to ocean.

Mr. XU Zhenchao, a great representative of the spirit of craftsmanship, honored as the golden worker, was awarded the "Reform Pioneer" for the 40th Anniversary of State Reform and Opening-up Event as the outstanding representative of "craftsmanship spirit".

The Company held the international crude oil trade development conference to promote cooperation and win-win development.

The Company received the approval of the A share offering granted by China Securities Regulatory Commission and the A share offering and listing work officially commenced.

QQCTN set a new world record of the single-machine average operating rate of 43.23 units/hour for the fully automated container terminal, marking steady enhancement of its operating efficiency.

# FINANCIAL HIGHLIGHTS

## I. REVENUE

Unit: RMB'000

	2018	2017	2016	2015	2014
Gross profit	<b>3,625,978</b>	3,330,122	2,631,426	2,074,947	2,015,282
Period expenses	<b>362,500</b>	373,174	526,120	344,580	592,043
Investment income	<b>1,455,441</b>	1,171,489	803,944	843,129	618,567
Profit before income tax, depreciation and amortization	<b>5,713,052</b>	4,851,727	3,561,257	2,995,801	2,504,874
Total Profit	<b>4,756,490</b>	3,990,790	2,864,614	2,450,195	2,022,173
Net profit	<b>3,843,526</b>	3,240,363	2,299,092	1,979,137	1,626,671
Including: amounts attributable to shareholders of the Company	<b>3,593,486</b>	3,042,959	2,186,154	1,911,916	1,591,162

## II. ASSETS

Unit: RMB'000

	2018	2017	2016	2015	2014
Total assets	<b>48,765,783</b>	48,053,652	38,282,574	31,681,833	28,569,335
Total liabilities	<b>19,346,259</b>	22,990,996	22,800,015	18,133,938	15,905,874
Including:					
borrowings and bonds payable	<b>4,412,150</b>	4,314,267	3,923,668	492,296	188,261
Total equity	<b>29,419,524</b>	25,062,656	15,482,559	13,547,895	12,663,461
Including: share capital	<b>6,036,724</b>	6,036,724	4,778,204	4,778,204	4,778,204
Equity attributable to the shareholders of the Company	<b>26,979,659</b>	23,554,663	14,235,724	12,664,440	11,862,055
Equity per share attributable to the shareholders of the Company (RMB/share)	<b>4.47</b>	3.90	2.98	2.65	2.48
Asset-liability ratio	<b>39.7%</b>	47.8%	59.6%	57.2%	55.7%

# FINANCIAL HIGHLIGHTS

## III. FINANCIAL INDICATORS

	Unit: RMB				
	2018	2017	2016	2015	2014
Earnings per share	<b>0.60</b>	0.55	0.46	0.40	0.36
Dividend payments per 1,000 shares	<b>379.70</b>				
	<b>(Note 1)</b>		130.46	139.08	61.91
Special dividends per 1,000 shares to promoters prior listing paid	—		—	—	162.60
Return on total assets	<b>7.94%</b>	7.51%	6.57%	6.57%	6.73%
Weighted average return on net assets	<b>14.23%</b>	15.54%	16.25%	15.4%	15.48%

Note 1: The dividends of RMB379.70 (tax inclusive) per 1,000 shares represent the aggregated amount of the dividends payable for 2017 and 2018. As the period involving the distribution of the final dividends for 2017 was also the critical period involving the A share offering of the Company, the final dividends for 2017 were not distributed which was approved by the general meeting of the Company.



## TO SHAREHOLDERS:

On behalf of the Board of the Company, I am pleased to present the annual report of the Company for the year ended 31 December 2018 to each of the shareholders.

In 2018, the global economy went through deep adjustment and began to recover, and the supply-side structural reform of China's economy was further advanced. Aiming to "accelerate the construction of a world-class ocean port", the Company carried out innovation-driven transformation and upgrading, steadily developed the basic port business of stevedoring, and vigorously promoted its business in modern logistics, finance and Internet to further boost its internationalization through internally strengthening management, externally expanding market, improving quality and efficiency, and innovating development model, thus maintaining a sustainable and healthy growth of cargo throughput and operation performance.



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## CHAIRMAN'S STATEMENT

The basic port business of stevedoring sustained steady growth. With respect to the container business, the Group further implemented the headquarter strategy for shipping companies, opened additional 13 shipping lines of foreign trade throughout the year, started foreign trade container business in Dongjiakou Port and built transit channels from northern ports in China to Port of Qingdao. With respect to the dry bulk cargo business, the Group implemented the interaction of “port+trading company+steel mill”, the interaction of collecting, dispatching and marketing, and the interaction of coke, coal and ore, making its volume of VALE mixing ore rank No.1 among ports in China, and achieving incremental development in coke, non-ferrous metal ore, pulp and other goods. With respect to the liquid bulk cargo business, the Group strengthened the interaction of Huangdao Oil Port Area and Dongjiakou Port Area, and took full advantage of Dongjiakou-Weifang oil pipeline. It became the designated settlement base of crude oil futures of the first batch approved by Shanghai International Energy Exchange, and achieved two-digit growth of imported oil over the same period compared to last year.

Modern logistics business was promoted in an all-round way. The Group strengthened the integration of terminal, logistics, information, finance and other elements to create an integrated “door-to-door” logistics service system. With respect to the sea-rail intermodal transport business, three new inland ports were added, and the total number of lines reached 40. Besides, its container volume of the intermodal transport continued to rank the first among the costal ports of China. The Group collaborated together with terminal companies to keep a continuous growth in shipping agency business, freight forwarding business and CFS business. Cross-border e-commerce, automobile logistics and other business all achieved breakthroughs.

Financial business grew fast. The Group implemented centralized management and control of funds, effectively used funds to reduce financial costs and increased the service types of cargo to 12 categories. Qingdao Finance achieved the highest double-A rating in evaluation by both the industrial and regulatory authority.

International business was pushed forward in solid steps. The Group established Ocean Bridge International Port Operation and Management Co., Ltd. together with COSCO SHIPPING Group and sent personnel to participate in the port opening preparation for the phase II Khalifa Port terminal project in Abu Dhabi. The overseas projects such as the crude oil terminal in Myanmar Mude Island and the Vado Ligure Port in Italy were under good operation.

Internet business integrated deeply. The Group upgraded the construction of intelligent port, and the first phase of automated container terminal project was under good operation. The number of container throughout the year exceeded 1.2 million TEUs, creating a new world record of a single-machine average operating rate of 43.23 units/hour. The second phase of the automated container terminal project commenced construction. The reformed information system for dry bulk cargo and break bulk cargo commenced online operation. The Group promoted electronic equipment interchange receipt and delivery order for imported containers. The standards of intelligent terminal operations and e-commerce logistics services continued to improve.

## CHAIRMAN'S STATEMENT

Development strength continued to increase. The second phase of Dongjiakou Port-Weifang-Central and Northern Shandong oil pipeline construction project and the auxiliary base in Guangrao were officially put into operation, and the third phase of such project was under construction, which built a safer, greener, more economic transportation channel directly from Bohai Sea to Hunghai Sea for refining enterprises in Shandong Province. The railway connected to the port in Dongjiakou Port Area were finished in parallel with Qingdao-Lianyungang Railway, perfecting the cargo collection and distribution network system. The first self-operated bulk carrier “M.V. Qingdao Port Dagang” was put into operation, achieving ship carrying for bulk shipping.

Corporate governance was further improved. The Company successfully went back to A shares market and officially became an “A+H” listed company. The Group enhanced its quality services, carried out the special action of “Reform and Innovate to Improve Services”, and continued to strengthen external service management. The Group deepened internal management, carried out special actions to perfect management system, and maintained lawful and compliance operation to establish a good image as a listed company. The Group strengthened human resources management, carried out training for all staff, and optimized the structure of the workforce. Professionals, technicians and senior technicians who had obtained various types of national professional and technical titles increased by 600. The Group also fully mobilized the enthusiasm of the staff by further broadening the professional development channels for staff.

In 2018, the cargo throughput of the Group was 486 million tons, representing an increase of 6.0% over the same period of last year, of which the container throughput was 19.32 million TEUs, representing an increase of 5.5% over the same period of last year. As of 31 December 2018, the Company achieved a net profit attributable to shareholders of the Company of RMB3,593 million, representing an increase of 18.1% over the same period of last year, and earnings per share was RMB0.60.

It is expected that the world economy will slow down but maintain its growing momentum and China's economy is still in and will continue to stay in a long period of significant strategic opportunities in 2019. By taking accelerating the construction of a world-class ocean port as its goal, the Company will continue to adhere to innovative, coordinated, green, open and shared development principles, actively push the shift from a logistics port to a trade port and a destination port to a hub port, and promote the increase in both speed and business volume of terminal stevedoring business to promote the increase in both speed and business volume of emerging businesses, expand international development space, fully enhance management efficiency and create greater value to shareholders and society.

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

**JIAO Guangjun**  
*Vice Chairman*

28 March 2019

# MANAGEMENT DISCUSSION AND ANALYSIS



## 1. MACRO SITUATION AND INDUSTRY OVERVIEW

In 2018, world economy grew mildly, the growth speed of global trade slowed down, and the contribution made by trade growth to the global economy has recorded weakened. China's economy shifted from the stage of high-speed growth to high-quality development and, overall, achieved a stable performance while at the same time securing progress. Annual gross domestic product (GDP) presented an increase of 6.6% as compared to the same period in the prior year and continued to keep in a reasonable range. Foreign trade import and export achieved fast growth and the total import and export trade value of cargo throughout 2018 exceeded RMB30 trillion, representing an increase of 9.7% as compared to the same period in the prior year (Sources: National Bureau of Statistics).

In 2018, the port industry in China continued to maintain steady and sound growth. From January to November 2018, the amount of cargo throughput of the above-scale coastal ports increased by 4.3% as compared to the same period in the prior year, and among which, the throughput of containers rose by 5.3% as compared to the same period in the prior year (Sources: Ministry of Transport of the PRC). However, as certain key industries continued to address overcapacity, new terminals in coastal ocean ports were constantly put into operation, and the industry competition became increasingly fierce, the port industry improved function chains, extended service chains and expanded value chains, in order to strengthen integrated service ability, and actively accelerate the shift from a traditional stevedoring and destination port to a logistics, trade and integrated hub port, obtaining greater development space.



# MANAGEMENT DISCUSSION AND ANALYSIS

In 2018, the Group took the acceleration of the construction of a world-class ocean port as its goal and positively coped with the changes of the external macro economy. By seizing the opportunities in promoting the replacing of old growth drivers with new ones and accelerating industrial upgrading in Shandong Province and Qingdao City, the Group deepened supply-side structural reform in port services, improved quality and efficiency as well as developed with innovation, proactively made progress in stevedoring business, vigorously developed modern logistics, and implemented of “Three Strategies” of finance, internationalization and internet in-depth. The Group continued to improve its comprehensive competitive strength, and industrial influence strengthened with a steady growth of operation results, which created satisfactory returns for its shareholders.

## 2. REVIEW OF BUSINESS AND FINANCIAL CONDITION

With respect to the terminal business, the Group seized the opportunities brought by the shifting of China’s economy from high-speed growth to high-quality development, grasped the developmental rules of port economy in new economic environment, and aimed at the demands of customers and markets to focus on core businesses, address area of weakness in development and strengthen weak items. The Group took solid steps in pushing ahead the supply-side structural reform in port services in a down-to-earth manner, provide customized integrated “door-to-door” logistics services, enhanced its integrated competitive advantages in terminals, logistics, finance and etc., and increased its efforts to develop new markets and new cargo resources to improve the quality of its integrated logistics services, and accelerate the construction of its storage and pipeline distribution capabilities for oil products and other key segments, relive a continuous and stable growth of its stevedoring business.

With respect to the emerging businesses, the Group took full play of the advantages as an integrated hub in logistics chain, commodity flow, capital flow, information flow and others, to coordinate ports and other social resources, to optimize the layout of “inland port” network marketing, improve resource efficiency through the construction of intelligent ports, and perfect the functions of port services, so as to constantly extend its new businesses in sea-rail intermodal transport, CFS, shipping agency, freight forwarding, bonded storage, futures settlement, cross-border e-commerce, automobile supply chain, industrial chain finance and etc., improve diversified profitability, and expand the new models and new spaces, for the maintenance of a sustainable development for the ports operation performance.

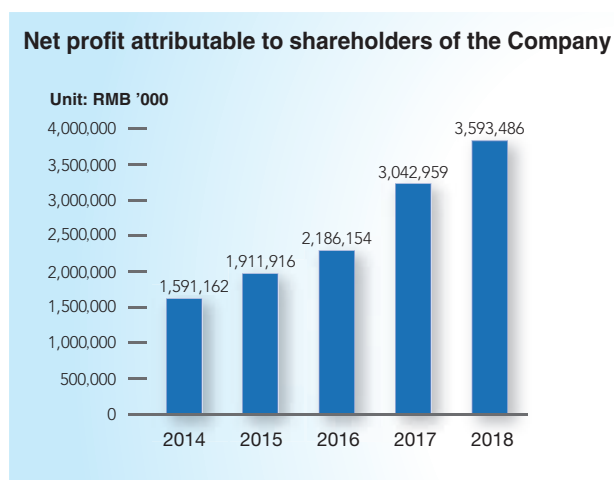
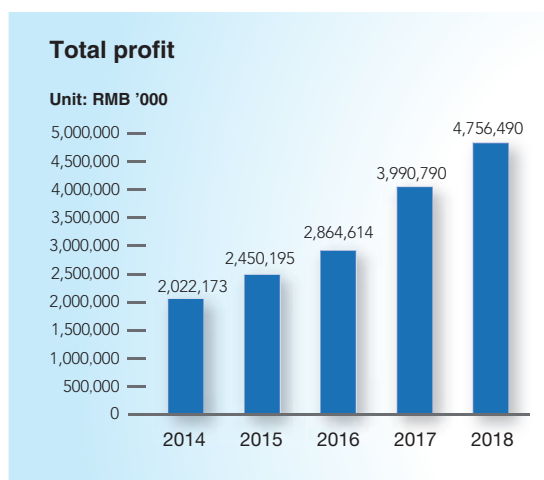
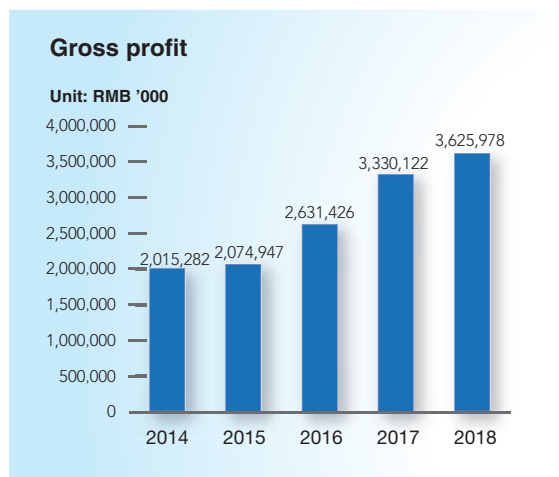
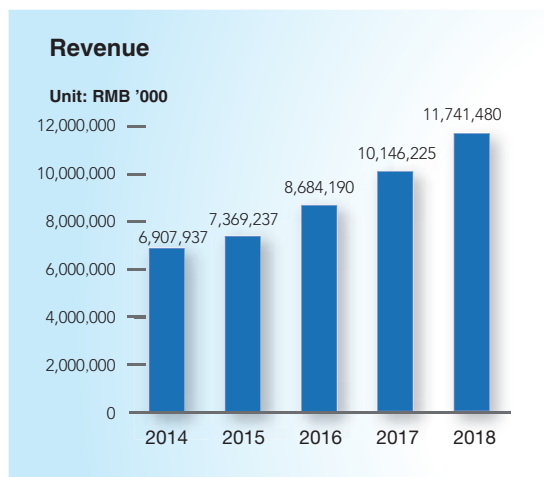
### 1 Review of Overall Business and Results

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

For the year ended 31 December 2018, the cargo throughput of the Group together with its joint ventures and associates (without taking into account the respective shareholding percentage the Company has in those joint ventures and associates) amounted to 486 million tons in total, representing an increase of 6.0% as compared to the same period in the prior year, and the container throughput amounted to 19.32 million TEUs, representing an increase of 5.5% as compared to the same period in the prior year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Comparison of Major Operating Indicators



The total revenue of the Group amounted to RMB11,741 million for the year ended 31 December 2018, representing an increase of RMB1,595 million or 15.7% as compared to the same period in the prior year. Such increase was mainly due to the increases in revenue from segments of liquid bulk handling and ancillary services, logistics and port value-added services, and port ancillary services.

# MANAGEMENT DISCUSSION AND ANALYSIS

The gross profit of the Group was RMB3,626 million for the year ended 31 December 2018, representing an increase of RMB296 million or 8.9% as compared to the same period in the prior year. Such increase was mainly due to the increases in gross profit from segments of liquid bulk handling and ancillary services, logistics and port value-added services and port ancillary services.

The selling and administration expenses of the Group were RMB503 million for the year ended 31 December 2018, remaining stable as compared to the same period in the prior year.

The investment income of the Group from joint ventures and associates amounted to RMB1,288 million for the year ended 31 December 2018, representing an increase of RMB171 million or 15.3% as compared to the same period in the prior year. Such increase was mainly due to the increases in investment income from container handling and ancillary services segment and liquid bulk handling and ancillary services segment.

The total profit of the Group amounted to RMB4,756 million for the year ended 31 December 2018, representing an increase of RMB766 million or 19.2% as compared to the same period in the prior year. Such increase was mainly due to the increases in profit from segments of liquid bulk handling and ancillary services and port ancillary services.

The net profit attributable to shareholders of the Company achieved RMB3,593 million for the year ended 31 December 2018, representing an increase of RMB551 million or 18.1% as compared to the same period in the prior year.

## 2. Segment Review and Business Review

### Segment Results

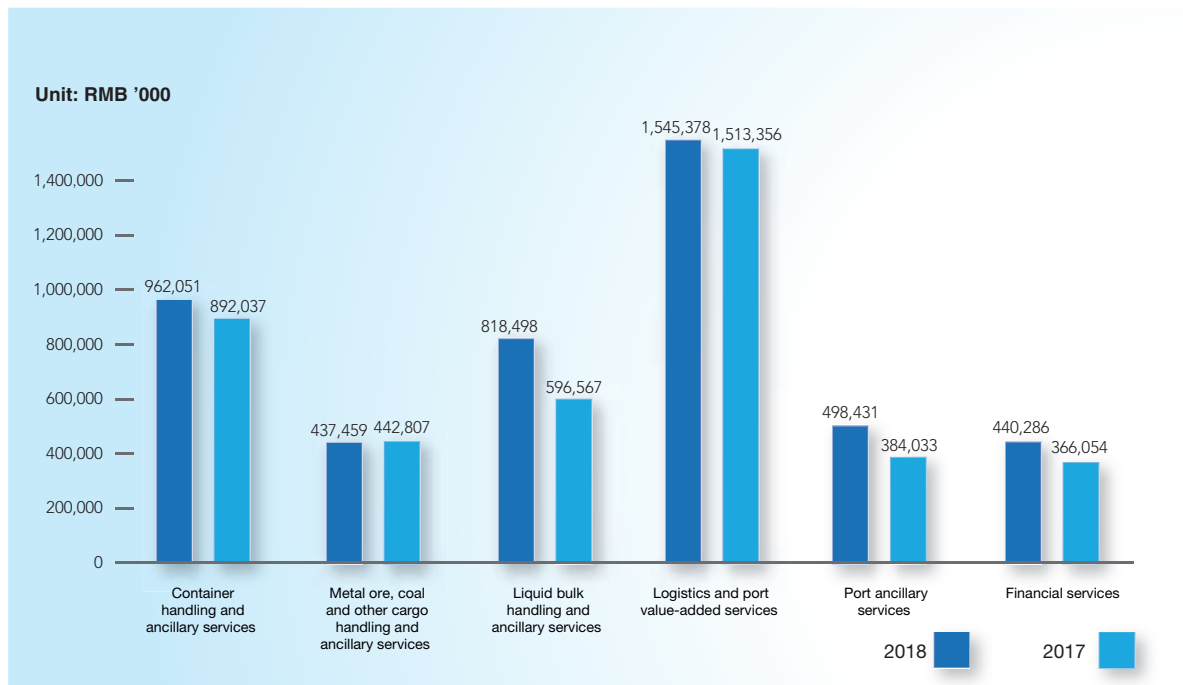
Unit: RMB'000

Business Segments	2018		2017		Change
	Results	Percentage of the total	Results	Percentage of the total	
Container handling and ancillary services	962,051	20.5%	892,037	21.3%	7.8%
Metal ore, coal and other cargo handling and ancillary services	437,459	9.3%	442,807	10.5%	-1.2%
Liquid bulk handling and ancillary services	818,498	17.4%	596,567	14.2%	37.2%
Logistics and port value-added services	1,545,378	32.8%	1,513,356	36.1%	2.1%
Port ancillary services	498,431	10.6%	384,033	9.2%	29.8%
Financial services	440,286	9.4%	366,054	8.7%	20.3%
Total results before inter-segment elimination	4,702,103	100.0%	4,194,854	100.0%	12.1%

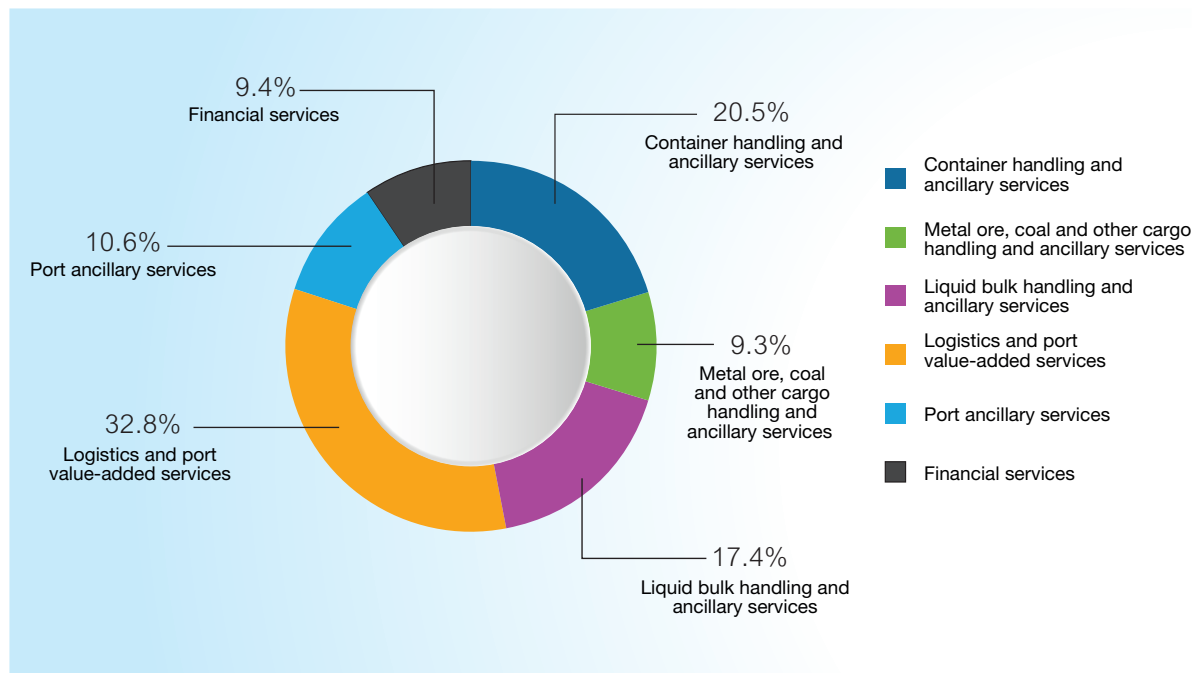


# MANAGEMENT DISCUSSION AND ANALYSIS

## Comparison of Segment Results



## Breakdown of each segment result for the year ended 31 December 2018



# MANAGEMENT DISCUSSION AND ANALYSIS

On the basis of further expanding and improving its principal basic port business of stevedoring by consolidating advantages, the Group maintained a sustainable and healthy growth of its operation performance by taking full advantages of its port resources capacity and efficiency, further implementing the construction of “The Three Strategies”, and continuing to expand the diversified comprehensive port ecosystem.

The details are set out as below:

## (1) Container handling and ancillary services



Unit: RMB'000

Item	2018	2017	Changed amount	Changed percentage
<b>Consolidated Group Companies</b>				
Revenue	240,606	234,825	5,781	2.5%
Cost of sales	103,062	69,523	33,539	48.2%
Gross profit	137,544	165,302	-27,758	-16.8%
<b>Profit of Consolidated Group Companies</b>	<b>120,003</b>	<b>163,693</b>	<b>-43,690</b>	<b>-26.7%</b>
<b>Joint ventures</b>				
Revenue	3,788,337	3,555,468	232,869	6.5%
Cost of sales	1,489,171	1,230,204	258,967	21.1%
<b>Share of post-tax profit of joint ventures</b>	<b>842,048</b>	<b>728,344</b>	<b>113,704</b>	<b>15.6%</b>
<b>Segment results</b>	<b>962,051</b>	<b>892,037</b>	<b>70,014</b>	<b>7.8%</b>

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

## MANAGEMENT DISCUSSION AND ANALYSIS

In 2018, the Group implemented the headquarter strategy for shipping companies in an in-depth manner, continued to work on the construction of the “International Hub Port in Northeastern Asia”, increased the frequency of senior management interaction with shipping companies, innovated marketing model, increased shipping lines and enlarged transit network to maintain its development advantages. The new developments achieved were mainly as follows:

- (1) The Group pressed ahead with deepening the implementation of the headquarter strategy for shipping companies, and continued to optimize the business environment in ports attracting shipping companies to open 13 additional shipping lines for foreign trade containers.
- (2) The Group opened transshipment channels in ports of northern China for shipping companies such as COSCO SHIPPING Group, with an increase of 16.6% in transshipment container volume as compared to the same period in the prior year. The Group started the shipping line of foreign trade container in Dongjiakou Port Area, optimized port functions, expanded new hinterland markets, and achieved growth in the operating volume of containers.
- (3) The Group released the ability of the fully automatic container terminal, with the completed container throughput exceeding 1.2 million TEUs throughout the year 2018, and created a world record of a single-machine average operating rate of 43.23 units/hour.

For the year ended 31 December 2018, with respect to the container handling and ancillary services, the revenue amounted to RMB241 million, representing an increase of RMB6 million or 2.5% as compared to the same period in the prior year, which was mainly due to the additional revenue arising from the commencement of container operation in Dongjiakou Port Area, which offset the decrease in revenue caused by the layout adjustment of container business in Dagang Port Area; the cost of sales amounted to RMB103 million, representing an increase of RMB34 million or 48.2% as compared to the same period in the prior year, which was mainly due to the additional depreciation and labor cost arising from the commencement of container operation in Dongjiakou Port Area; the segment results were RMB962 million, representing an increase of RMB70 million or 7.8% as compared to the same period in the prior year, which was mainly due to the increase of investment income from the increase of the Company's shareholding in QQCT from 31% to 51% in May 2017.



# MANAGEMENT DISCUSSION AND ANALYSIS

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



Unit: RMB'000

Item	2018	2017	Changed amount	Changed percentage
<b>Consolidated Group Companies</b>				
Revenue	2,988,976	3,045,092	-56,116	-1.8%
Cost of sales	2,364,101	2,380,031	-15,930	-0.7%
Gross profit	624,875	665,061	-40,186	-6.0%
<b>Profit of Consolidated Group Companies</b>	<b>385,217</b>	<b>418,700</b>	<b>-33,483</b>	<b>-8.0%</b>
<b>Joint ventures</b>				
Revenue	1,530,292	1,449,998	80,294	5.5%
Cost of sales	1,096,510	1,042,343	54,167	5.2%
<b>Share of post-tax profit of joint ventures</b>	<b>52,242</b>	<b>24,107</b>	<b>28,135</b>	<b>116.7%</b>
<b>Segment results</b>	<b>437,459</b>	<b>442,807</b>	<b>-5,348</b>	<b>-1.2%</b>

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

## MANAGEMENT DISCUSSION AND ANALYSIS

In 2018, the Group took full advantage of its large-sized terminals and large-sized stockyards, innovated the markets interaction among ports, steel mills and trading company, strengthened the integrated service of collecting, dispatching and marketing to promote the concentration of cargo sources. The new developments achieved were mainly as follows:

- (1) The Group carried out in-depth cooperation with large mining companies to enlarge its mixing and matching ore business, with its mixing ore business amount throughout the year 2018 exceeding 20 million tons, representing an increase of 62% as compared to the same period in the prior year.
- (2) The Group coordinated the production resources in Qianwan Port Area and Dongjiakou Port Area, promoted the interaction of coke, coal and ore, expanded the logistics chains of “loaded entry and loaded departure”, and optimized integrated logistics services to enhance its market competitive advantages, consolidated customer basis in Shandong and expanded new markets and customers in new inland areas such as Shanxi, Shaanxi, Henan.

For the year ended 31 December 2018, with respect to the metal ore, coal and other cargo handling and ancillary services, the revenue amounted to RMB2,989 million, representing a decrease of RMB56 million or 1.8% as compared to the same period in the prior year, which was mainly due to the decrease in revenue in iron ore whole-process stevedoring and handling business; the profit of Consolidated Group Companies amounted to RMB385 million, representing a decrease of RMB33 million or 8.0% as compared to the same period in the prior year, which was mainly due to the increase in material and maintenance costs resulting from centralized maintenance of machinery and equipment.

### (3) Liquid bulk handling and ancillary services



# MANAGEMENT DISCUSSION AND ANALYSIS

Unit: RMB'000

Item	2018	2017	Changed amount	Changed percentage
<b>Consolidated Group Companies</b>				
Revenue	852,240	551,692	300,548	54.5%
Cost of sales	273,620	152,527	121,093	79.4%
Gross profit	578,620	399,165	179,455	45.0%
<b>Profit of Consolidated Group Companies</b>	<b>466,637</b>	<b>329,618</b>	<b>137,019</b>	<b>41.6%</b>
<b>Joint ventures</b>				
Revenue	1,861,556	1,560,382	301,174	19.3%
Cost of sales	890,490	792,960	97,530	12.3%
<b>Share of post-tax profit of joint ventures</b>	<b>351,861</b>	<b>266,949</b>	<b>84,912</b>	<b>31.8%</b>
<b>Segment results</b>	<b>818,498</b>	<b>596,567</b>	<b>221,931</b>	<b>37.2%</b>

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

In 2018, the Group seized opportunities to advance the integration of production and organization, utilized the resource efficiency of terminals and tank areas in the “two ports and four places”, i.e. Huangdao Port Area, Dongjiakou Port Area, Weifang tank area and Guangrao tank area, made full use of the capability of the Phase I and II of Dongjiakou Port-Weifang-Central and Northern Shandong oil pipeline to grasp the initiative in leading development. The new developments achieved in 2018 were mainly as follows:

- (1) Oriented by customer demand, the Group coordinated resources such as terminals, storage tanks, and oil pipelines, and customized integrated logistics service plans reaching 11 new strategic cooperative customers. The Group became one of the first designated settlement bases of crude oil futures approved by the Shanghai International Energy Exchange (上海能源交易中心).
- (2) The Group took advantage of the comprehensive capability of terminals, strengthened cooperation with trading companies and accelerated the construction of the international distribution center for crude oil trading.
- (3) The Group took full use of the capability of the Phase I of Dongjiakou Port-Weifang-Central and Northern Shandong oil pipeline, and commenced the operation of the Phase II of such oil pipeline, building up a safer, more economical, more eco-friendly and more efficient logistics channel for refineries to grasp the market initiative. The Group’s market share in the local refinery market of Shandong reached a new higher level and its import amount of crude oil maintained fast growth.



## MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2018, with respect to the liquid bulk handling and ancillary services, the revenue amounted to RMB852 million, representing an increase of RMB301 million or 54.5% as compared to the same period in the prior year, which was mainly due to increase in revenue of transportation and storage generated from the Dongjiakou Port-Weifang-Central and Northern Shandong oil pipeline and the ancillary tanks; the segment results amounted to RMB818 million, representing an increase of RMB222 million or 37.2% as compared to the same period in the prior year, which was mainly due to the increase in the results of pipeline transport and storage business and the investment profit of Qingdao Shihua arising from the growth in its business volume.

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



# MANAGEMENT DISCUSSION AND ANALYSIS

Unit: RMB'000

Item	2018	2017	Changed amount	Changed percentage
<b>Consolidated Group Companies</b>				
Revenue	5,305,379	4,155,866	1,149,513	27.7%
Cost of sales	3,668,215	2,627,559	1,040,656	39.6%
Gross profit	1,637,164	1,528,307	108,857	7.1%
<b>Profit of Consolidated Group Companies</b>	<b>1,468,165</b>	1,416,822	51,343	3.6%
<b>Joint ventures and an associate</b>				
Revenue	805,186	1,490,594	-685,408	-46.0%
Cost of sales	565,483	1,158,067	-592,584	-51.2%
<b>Share of post-tax profit of joint ventures and an associate</b>	<b>77,213</b>	96,534	-19,321	-20.0%
<b>Segment results</b>	<b>1,545,378</b>	1,513,356	32,022	2.1%

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

Focusing on customer demand, the Group continued to deepen the supply-side structural reform of its services, improved port functions, expanded logistics chains and developed value-added services. The Group constantly extended its logistics industry system, enlarged business scale, and accelerated to become an integrated logistics service provider. The new developments achieved were mainly as follows:

- (1) With respect to the CFS business, the Group promoted the sharing of resources with key shipping companies to build a development model with lowest business cost and highest operating efficiency. The total operating volume of containers increased by 25% as compared to the same period in the prior year.
- (2) With respect to the agency business, the Group commenced new types of shipping agency business and freight forwarding business such as coke and cement, opened 6 new shipping lines in shipping agency business, and achieved new development in dry bulk cargo shipping agency business, container shipping agency business and freight forwarding business.
- (3) With respect to the towing and tallying business, while stabilizing its original business volume, the Group actively explored new businesses, such as lifting, tugging, inspection and testing.

For the year ended 31 December 2018, with respect to the logistics and port value-added services, the revenue amounted to RMB5,305 million, representing an increase of RMB1,150 million or 27.7% as compared to the same period in the prior year, which was mainly due to a sustainable growth in integrated business volume such as transportation and agency; the share of post-tax profit of joint ventures and an associate of the segment amounted to RMB77 million, representing a decrease of RMB19 million or 20.0% as compared to the same period in the prior year, which was mainly due to an one-off disposal gain resulting from the investment properties of a joint venture in the prior year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (5) Port ancillary services

Unit: RMB'000

Item	2018	2017	Changed amount	Changed percentage
<b>Consolidated Group Companies</b>				
Revenue	2,346,417	2,138,275	208,142	9.7%
Cost of sales	1,705,632	1,584,745	120,887	7.6%
Gross profit	640,785	553,530	87,255	15.8%
<b>Profit of Consolidated Group Companies</b>	<b>498,431</b>	384,033	114,398	29.8%
<b>Segment results</b>	<b>498,431</b>	384,033	114,398	29.8%

For the year ended 31 December 2018, with respect to the port ancillary services, the revenue amounted to RMB2,346 million, representing an increase of RMB208 million or 9.7% as compared to the same period in the prior year, which was mainly due to an increase in the revenue of oil and power supply, etc.; the segment results amounted to RMB498 million, representing an increase of RMB114 million or 29.8% as compared to the same period in the prior year, which were mainly due to an increase in the profit of power supply, information technology service and port management services, etc.

## (6) Financial services

Unit: RMB'000

Item	2018	2017	Changed amount	Changed percentage
<b>Consolidated Group Companies</b>				
Revenue	409,034	421,285	-12,251	-2.9%
Cost of sales	73,182	84,785	-11,603	-13.7%
Gross profit	335,852	336,500	-648	-0.2%
<b>Profit of Consolidated Group Companies</b>	<b>436,580</b>	365,438	71,142	19.5%
<b>An associate</b>				
Revenue	453,063	224,963	228,100	101.4%
Cost of sales	266,921	89,354	177,567	198.7%
<b>Share of post-tax profit of an associate</b>	<b>3,706</b>	616	3,090	501.6%
<b>Segment results</b>	<b>440,286</b>	366,054	74,232	20.3%

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



# MANAGEMENT DISCUSSION AND ANALYSIS

The Group deepened its financial strategy, took the integrative development model of “Industry Plus Finance” as its major task and vigorously innovated its business model. The business categories were increased constantly, and the service to new customers was expanded.

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

For the year ended 31 December 2018, the segment results of financial services amounted to RMB440 million, representing an increase of RMB74 million or 20.3% as compared to the same period in the prior year, which was mainly due to the expansion of loan business and investment business such as interbank wealth management.

### 3. Financial Indicators

Financial indicators	2018	2017	Change
Return on total assets	<b>7.94%</b>	7.51%	Increased by 0.43 percentage point
Weighted average return on net assets	<b>14.23%</b>	15.54%	decreased by 1.31 percentage points
Interest coverage ratio	<b>23.76</b>	19.30	Increased by 4.46 times
Current ratio	<b>1.41</b>	1.31	Increased by 0.1
Quick ratio	<b>1.37</b>	1.27	Increased by 0.1
Turnover ratio of accounts receivable	<b>5.60</b>	5.99	Decreased by 0.39 time
Turnover days of accounts receivable	<b>65 days</b>	61 days	Increased by 4 days

For the year ended 31 December 2018, the return on total assets of the Group was 7.94%, representing an increase of 0.43 percentage point over the same period in the prior year, and the weighted average return on net assets of the Group was 14.23%, representing a decrease of 1.31 percentage points as compared to the same period in the prior year, which was mainly due to non-distribution of the final dividend for 2017 and the production capacity of the investment projects of proceeds raised in 2017 not being fully utilized. The turnover ratio of accounts receivables of the Group was 5.60 times, representing a decrease of 0.39 time over the same period in the prior year, and the turnover days of accounts receivables of the Group was 65 days, representing an increase of 4 days over the same period in the prior year, which was mainly due to the increase in business volume of logistics and value-added service business and accounts receivables resulting from business combination involving enterprises not under common control.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 4. Financial Position Analysis

Unit: RMB'000

Item	As at 31 December 2018	As at 31 December 2017	Changed Amount	Changed Percentage
<b>Cash at bank and on hand (Including term deposits with initial term of over 3 months and other restricted cash balance)</b>	<b>8,077,972</b>	11,705,176	-3,627,204	-31.0%
<b>Other receivables</b>	<b>1,782,762</b>	1,064,094	718,668	67.5%
<b>Other current assets</b>	<b>3,903,247</b>	1,036,159	2,867,088	276.7%
<b>Long-term receivables</b>	<b>1,606,080</b>	4,395,674	-2,789,594	-63.5%
<b>Intangible assets</b>	<b>2,069,854</b>	922,024	1,147,830	124.5%
<b>Other payables</b>	<b>5,954,950</b>	9,877,014	-3,922,064	-39.7%

As at 31 December 2018, the Group's cash at bank and on hand decreased by RMB3,627 million or 31.0% as compared to the beginning of the year, mainly due to the payment of cash to purchase wealth management products, the decrease in customers deposits absorbed and the recovery of loans from members and fixed term deposits of Qingdao Finance.

As at 31 December 2018, the Group's other receivables increased by RMB719 million or 67.5% as compared to the beginning of the year, which was mainly due to the increase of RMB714 million in accounts receivable and collected on behalf in relation to the agent procurement, shipping agency and other businesses.

As at 31 December 2018, the Group's other current assets increased by RMB2,867 million or 276.7% as compared to the beginning of the year, which was mainly due to the increase of Qingdao Finance's trading of interbank negotiable certificate of deposit and financial assets held under resale agreement.

As at 31 December 2018, the Group's long-term receivables decreased by RMB2,790 million or 63.5% as compared to the beginning of the year, which was mainly due to the decrease in the Group's loan supply to related parties including joint ventures.

# MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2018, the Group's intangible assets increased by RMB1,148 million or 124.5% as compared to the beginning of the year, which was mainly due to purchasing of land use rights of oil tanks and stacking yards by the Group to promote the development of Dongjiakou Port Area.

As at 31 December 2018, the Group's other payables decreased by RMB3,922 million or 39.7% as compared to the beginning of the year, which was mainly due to the decrease of RMB4,302 million in customers deposits absorbed by Qingdao Finance and the increase of RMB445 million in amounts paid on behalf in relation to the agent procurement, shipping agency and other businesses.

## 5 Cash Flow Analysis

For the year ended 31 December 2018, the Group's net cash outflow amounted to RMB2,349 million, among which:

- (1) net cash inflow from operating activities amounted to RMB2,291 million, which was mainly derived from the operating profit of the Consolidated Group Companies;
- (2) net cash outflow from investing activities amounted to RMB940 million, mainly comprising of cash inflow of RMB2,501 million arising from net recovery of loans due from members, cash inflow of RMB1,083 million arising from recovering fixed term deposit with an initial term over three months, cash inflow of RMB1,113 million arising from the receipt of dividends from joint ventures, cash inflow of RMB563 million arising from the receipt of interest from loans, wealth management products and fixed term deposit with an initial term over three months, net cash outflow of RMB3,801 million for the investment in wealth management products, and cash outflow of RMB2,952 million for purchasing and construction of fixed assets and intangible assets.
- (3) net cash outflow from financing activities amounted to RMB3,754 million, mainly comprising of cash inflow of RMB765 million from equity investment by the minority shareholders of the Consolidated Group Companies, net cash outflow of RMB4,284 million from deposits-absorbing business of Qingdao Finance, and cash outflow of RMB296 million for the dividend distribution and the payment of the debt interests.

In order to facilitate the understanding of shareholders and investors, after eliminating the impact of Qingdao Finance and the Group's purchasing of the wealth management products and the recovery of fixed term deposits over three months which became due on the cash flow, the net cash inflow of the Group amounted to RMB2,995 million.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 6 Liquidity and Financial Resources

As at 31 December 2018, the Group's cash at bank and on hand amounted to RMB8,078 million and wealth management products amounted to RMB4,575 million with the main currency of RMB. After eliminating the impact of Qingdao Finance, the self-owned cash at bank and on hand and wealth management products of the Group amounted to RMB10,743 million, among which, cash at bank and on hand amounted to RMB9,808 million. After eliminating the impact of Qingdao Finance, the Group's total interest-bearing bank borrowings amounted to RMB3,855 million, among which, borrowings at fixed interest rates amounted to RMB3,644 million and borrowings at floating interest rates amounted to RMB211 million.

As at 31 December 2018, the gearing ratio of the Group was 11%. After eliminating the impact of Qingdao Finance, the amount of the Group's cash at bank and on hand exceeded its interest-bearing debt.

## 7. Capital Structure

As at 31 December 2018, the total equity of the Group amounted to RMB29,420 million, representing an increase of RMB4,357 million as compared to the beginning of this year, among which, the increase of equity interest attributable to the shareholders of the Company was mainly due to the increase of RMB3,593 million from the operating profit, and the decrease of RMB163 million from supplemental retirement benefits actuarial losses. The equity interest of minority shareholders increased by RMB932 million, mainly due to the increase in investments by minority shareholders of RMB765 million, the increase in operating profits and comprehensive incomes of RMB255 million, and the decrease in dividend distribution to minority shareholders of RMB87 million.

As at 31 December 2018, the Company had 6,036,724,000 shares in issue, including 1,099,025,000 H shares. The total market capitalization and H share market capitalization of the Company was approximately HK\$31,814 million and HK\$5,792 million, respectively (calculated based on the closing price of HK\$5.27 of the Company on the Hong Kong Stock Exchange on 31 December 2018).

# MANAGEMENT DISCUSSION AND ANALYSIS

## 8. Summarized Financial Information of Joint Ventures

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

Unit: RMB'000

	QQCT		Qingdao Shihua	
	2018	2017	2018	2017
Revenue	3,624,891	3,396,345	1,815,247	1,543,369
Cost of sales	(1,401,517)	(1,142,901)	(866,856)	(774,723)
Profit before income tax	2,138,953	2,206,421	879,909	712,598
Income tax expenses	(465,370)	(514,255)	(201,836)	(169,467)
Net profit for the year	1,673,583	1,692,167	678,073	543,131
Attributable to minority interests	24,229	21,204	—	—
Net profit attributable to the owners of joint ventures	1,649,355	1,670,963	678,073	543,131
Considering the impact of the fair value of identifiable assets and liabilities at acquisition:				
Net profit for the year	1,595,107	1,646,193	—	—
Net profit attributable to the owners of joint ventures	1,570,879	1,624,989	—	—
Other distribution	(1,318)	(1,215)	—	—
Equity interest in joint ventures held by the Group (Note 1)	51%	51%	50%	50%
Share of profit of joint ventures by the Group before elimination (Note 2)	825,476	717,373	339,056	271,565
Unrealised profit	(38,687)	(10,426)	4,889	(2,117)
Share of post-tax profit of joint ventures by the Group accounted for using the equity method	786,789	706,947	343,945	269,448

Note 1: The Group's shareholding percentage in QQCT was 31% on or before 21 May 2017, and is 51% on or after 22 May 2017.

Note 2: The fair value of identifiable assets and liabilities of QQCT at the acquisition of QQCT 20% equity interests has been considered in Share of profit of joint ventures by the Group before elimination.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Unit: RMB'000

<b>Balance sheet</b>	<b>31 December 2018</b>	31 December 2017
Cash at bank and on hand	(2,664,530)	5,626,204
Financial asset held for trading	875,000	—
Other receivables	718,655	463,398
Other current assets	3,503,353	339,000
Current portion of non-current assets	374,112	318,840
Available-for-sale financial assets	—	111,358
Other non-current financial assets	196,373	—
Long-term receivables	1,302,551	1,907,429
Other payables	3,934,829	8,255,408
General reserve	298,284	226,360

Unit: RMB'000

<b>Income statement</b>	<b>2018</b>	2017
Finance expenses — interest income	400,775	400,809
Finance expenses — interest expenses	(72,310)	(83,067)

## 10. Interest Rate and Exchange Rate Risks Analysis

As at 31 December 2018, cash at bank and on hand, receivables, payables and external bank borrowings at floating rates of the Group amounted to RMB4,008 million, RMB2,131 million, RMB3,792 million and RMB211 million, respectively. The Group assessed the interest rate risk and anticipated that changes in interest rate would have no material impact on the Group.

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

The Group will continue to closely monitor risks in interest and exchange rate. The Group did not enter into any hedging arrangements with respect to interest rate and exchange rate risks in 2018.

## 11. Risk Alert

### (1) Risk in Relation to the Macro Economy Volatility

Port industry belongs to the basic industry in national economy, the development of which is highly connected with the macro-economic situation and will be greatly influenced by the volatility of economic cycle. The volatility of world trade will influence the import and export business in various countries, thus impacting the operating situation of ports.

Recently, the world economy is still in a complicated and severe situation, and China's economy is going through structural transformation and upgrading, thus increasing the uncertainty of the continuous recovery of economy. If the economy development in China as well as the international and domestic trade volume are impacted due to the relatively long recovery cycle of world economy and the structural adjustment of China's economy, the production activities and operating performance of the Group may be affected.

### (2) Risk in Relation to the Dependence on the Economic Development of the Hinterland

The Group's main economic hinterlands include Shandong, Jiangsu, Hebei, Shanxi and Henan Province, with its extending hinterlands including Shaanxi, Ningxia, Gansu and Xinjiang. The economic development as well as the international and domestic trade demand in these regions are main factors affecting the Group's development. If the economic growth in these regions slows down or decreases, negative impacts will be caused to the Group's operation.

### (3) Risk in Relation to the Adjustment of Port Rate

The Group's main revenue comes from the cargo loading and discharging and ancillary services at port, the charging standard of which is in compliance with the regulations in Port Charging Methods formulated by governmental authorities. If the national port charging rules or systems are being adjusted or changed, the Group's operating performance may be influenced.

The Company will take full use of its advantages in comprehensive services and various cargo to proactively exploit diversified space for development. The Company will continue to strengthen the construction of the transportation system and inland network, providing its customers with an "one-stop" integrated logistics service to consolidate and expand its hinterlands of cargo resource. The Company will strengthen internal management in an all-round way and improve speed and quantity as well as quality and efficiency to ensure a stable development.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 3. SIGNIFICANT CAPITAL INVESTMENT

For the year ended 31 December 2018, the Group had significant capital investment of RMB2,840 million, mainly consisting of the investments in the projects of the Dongjiakou Port-Weifang-Central and Northern Shandong oil pipeline and ancillary tanks, and the bulk and general cargo berth and stacking yards in Dongjiakou Port Area and others, as well as the acquisition of land use rights in Dongjiakou Port Area.

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

During the year ended 31 December 2018, the Group did not have any significant acquisition and disposal of subsidiaries, joint ventures and associates.

## 5. DETAILS OF THE MATERIAL ENTRUSTED WEALTH MANAGEMENT

As at 31 December 2018, details of the material entrusted wealth management of the Group are set out as below:

Unit: RMB'000

Entrustee	Product type	Balance	Start date	Expiry date	Expected annualized return rate	Source of funding
Bank of Qingdao	Wealth management product	250,000	11/14/2018	1/14/2019	4.10%	self-owned funds
Bank of Qingdao	Wealth management product	200,000	11/30/2018	1/9/2019	4.10%	self-owned funds

## 6. EMPLOYEES

As at 31 December 2018, the Company engaged 4,950 employees, and the Company and its principal subsidiaries engaged 8,611 employees in total. The employees' remunerations of the Group include basic salaries and performance incentives. The growth of employees' remunerations are determined by their working performance, economic environment, and supply and demand conditions of human resource market, under the "two matches" principle to match the employees' income growth with the growth of the Company's results and the raise of production rate. Meanwhile, the Group's remuneration policy is reviewed on a regular basis as well. Remaining committed to its "people-focused" approach and safeguarding the legitimate rights and interests of employees, the Group contributes social insurances as required by the relevant regulations of the PRC and also sets up enterprise annuity to provide extra welfare scheme to its employees.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 7. PLEDGE OF ASSETS

As at 31 December 2018, the Group had pledged on its other receivables of RMB23.78 million for a borrowing with carrying value of RMB23.78 million. Save as disclosed aforesaid, no other Group's assets were pledged.

## 8. CORPORATE SOCIAL RESPONSIBILITY

### 1. Environment Protection

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

The Group has proactively promoted the application of low-carbon emission technology. In order to improve the energy efficiency and resource utilization rate of equipment, the Group updated technologies to eliminate outdated production techniques and equipment and facilities. The Group accelerated the application of energy-saving technologies, and successively completed 44 key construction projects for the construction of the green and low-carbon port including the marine shore power station, large port machine potential energy feedback, hybrid power and LED green lighting renovation in 2018.

The Group has made efforts to build green and ecology-friendly environment. In 2018, 1,960 arbors, 155,000 bushes and 60,000 seasonal flowers were newly planted in the four principal port areas of the Group.

The Group continued to enhance health and epidemic prevention management. In the year 2018, the Group responded to the call of building the national sanitary city of Qingdao, carried out the action of “Overall Environment Inspection & Comprehensive Sanitation Promotion” in an in-depth manner, and the sanitary condition of the port areas was further improved. The Group completed an accumulated pesticide application of 29.70 million square meters for vector destruction in its port areas and the health and epidemic prevention work of the Group was highly recognized by competent government authorities.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 2. Employee Care

The Group highly values the cultivation and development of talents, creates fair and equitable talent competition mechanism, and works hard to implement talent cultivation plan. In 2018, 300 employees in the Group obtained various professional and technical titles in high, middle and junior levels, 300 employees were qualified as senior workers, technicians and senior technicians, the structure of age, education, knowledge and ability in key and significant posts such as leadership, management and technical personnel showed positive changes, providing a solid talent foundation for the development of the Group.

In 2018, the Group implemented an education and training model by combining physical education with online learning. 30 specialized training courses (with 87 sessions in total) were organized and conducted by staff education and training center for management personnel at all levels and core professional and technical staff, completing a centralized training for about 6,700 person-times. At the same time, the Group took full use of the online learning platform of Port of Qingdao to facilitate staff's self-study. The construction of a learning staff and a learning organization was improved.

The Group promoted talent training and ensured equal opportunities in training participation for employees with different work types, ranks and genders. The coverage rate of employ training amounted to 100%.

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

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

## 3. Community Care

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

Please refer to the "2018 Sustainability Report" published by the Company for further detail on our corporate social responsibility.

## 9. OUTLOOK FOR 2019

In 2019, in front of the complicated international situation, the new situation that China's economy is shifting from high-speed growth to high-quality development, and the new challenges brought by the continuous deepening of supply-side structural reform, the continuous optimization of business environment and the continuous improvement of safety and environmental protection standards, the Group will further liberate mind of thinking and insist on driving economy by innovation, accelerate the shift from a destination port to a trade and integrated hub port, and work hard to realize high-quality development to maintain its leading position in port industry.

First, the Group will innovate its safety management model to create a safe and green port. By adhering to problem orientation and through changing mind and innovating thoughts, the Group will deeply promote the safety concept of "integration of human and safety", consolidate safety foundation, highlight key prevention and control, strengthen safety by technology and management, push forward the construction of a safety and protection system in core parts so as to build an intrinsic safety environment. The Group will enhance ecological and environmental protection, establish an environmental quality testing system in port area, and strengthen pollution prevention and management. The Group will adjust transportation structure, advance the transit of road to railway, road to waterway, and road to pipeline, strengthen the governance of sources. The Group will optimize energy structure, promote the application of clean energy, continue to push the construction and application of shore power station, and build a safe, green port with low-carbon emission.

Second, the Group will innovate its way of the implementation of policies in an integrated way to promote the increase of speed and quantity in stevedoring business. Focusing on customer demand, the Group will innovate mind of thinking, development model, and market space. With respect to the container business, the Group will insist on developing integrative efforts of internal and external trade, open more shipping lines, expand transit channels and to improve the operating capability of Dongjiakou Port Area and build the Northeast Asian hub port. With respect to the liquid bulk business, the Group will take full use of resources of terminals, pipelines and tank areas, enlarge the distribution of waterways, and increase its market share in the local refinery market of Shandong Province to build a bonded distribution base of crude oil trade. With respect to the dry bulk cargo business, the Group will take full use of the capacity of the railway connected to Dongjiakou Port Area, expand its mixing core business, implement international transit, build a self-operated fleet, enlarge the scale of waterways, and promote the incremental projects such as fine ore matching, pellet processing, coal washing, and coal blending. With respect to the break bulk cargo business, the Group will improve comprehensive logistics, and build an unloading base for non-ferrous ores and pulp.



## MANAGEMENT DISCUSSION AND ANALYSIS

Third, the Group will innovate its diversified development model to push the increase of both quality and efficiency in emerging businesses. The Group will promote the coordinated development of stevedoring, logistics, finance, information and related industry to improve the diversified development of the port. With respect to the modern logistics, the Group will strengthen the interaction between terminals and logistics resources, optimize the layout of inland marketing network, expand the sea-rail intermodal transport business, push CFS resources sharing, develop comprehensive agency and featured logistics in dangerous chemical products, cold chain and etc. to increase its market share in integrated logistics. With respect to the financial products, the Group will deepen the combination of industry and finance, strengthen the research and development of financial products, expand the scale of supply chain finance, and promote the incremental development of stevedoring business and logistics business. Besides, the Group will launch new types of futures settlement business and expand the scale of futures settlement. With respect to the intelligent port, the Group will accelerate the construction of key projects such as the Phase II of automatic terminal, intelligent dry bulk cargo terminal and logistics e-commerce, and promote the application of automatic and intelligent technologies in various fields of the port as well as the industrial intelligence and intelligent industrialization to create new businesses and new models.

Fourth, the Group will innovate its way of improving abilities to expand sustainable development space. The Group will focus on the bottleneck of development abilities, enhance the capability of Dongjiakou Port Area, fully accelerate the construction of the Phase II of crude oil terminal, the Phase III of Dongjiakou Port-Weifang-Central and Northern Shandong oil pipeline, the LPG terminal and tank areas, speed up the construction of dry bulk terminals, and vigorously push the construction of dry bulk cargo stevedoring trains and the process of transit to waterways. The Group will exploit international development space, utilized the platform of Ocean Bridge International Port Operation and Management Co., Ltd. and excavate overseas quality projects. It will strengthen its operation management of the crude oil terminal in Myanmar Mude Island and the Vado Ligure Port in Italy. It will enhance its exchange and cooperation with foreign ports, and expand international development space. The Group will attract and cluster port-centered industry development, and appeal quality enterprises to invest and set up port-centered processing industry such as mixing ore, matching ore, timber, gain and their logistics transit base in Dongjiakou Port Area so as to stabilize resources for the port.

Fifth, the Group will innovate its corporate management model to improve management efficiency on an all-round basis. The Group will continue to enhance overall budget management, promote quota cost management and control, and fully carry out the activity of economizing expense and reducing expense to constantly improve operation performance. The Group will implement customer credit classification evaluation, strengthen the management of receivables in key business fields, strictly manage and control commercial policies in a concentrated way, and enhance the approval and management of charging to ensure the Group's operation compliance with laws and regulations.

Sixth, the Group will innovate its people-oriented management model to satisfy the development demand of the port. Focusing on staff, the Group will deepen staff training to improve their quality and ability, innovate incentive mechanism, and expand occupational development channels to provide strong human resources support for the innovation and development of the port.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 10. PROPOSED DISTRIBUTION OF FINAL DIVIDEND, WITHHOLDING OF INCOME TAX AND CLOSURE OF REGISTER

The Board has proposed the distribution of final dividend of RMB379.70 (tax inclusive) per thousand shares, totaling approximately RMB2,464.6707 million (tax inclusive) which represents the aggregate of the 50% of distributable profits attributable to shareholders of the Company for the year ended 31 December 2017 and the 40% of distributable profits attributable to shareholders of the Company for the year ended 31 December 2018. Such distribution plan will be implemented subject to approval at the 2018 AGM.

For non-resident enterprise shareholders holding H shares of the Company (i.e. shareholders holding H shares of the Company under the names other than individuals, including, but not limited to, shareholders of H shares registered in the name of HKSCC Nominees Limited, or other nominees, trustees, or other organizations or groups), the Company shall withhold the corporate income tax for the final dividend at the tax rate of 10% on their behalf in accordance with the Corporate Income Tax Law of the PRC and other relevant tax laws, regulations and tax treaties.

For individual shareholders holding H shares of the Company, the Company shall withhold and pay the individual income tax for the final dividends on their behalf in accordance with the Individual Income Tax Law of the PRC, the Notice of the State Administration of Taxation on the Collection and Administration of Individual Income Tax after the Abolition of Document No. 045 [1993] (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), the Notice of the Ministry of Finance, the State Administration of Taxation, and the China Securities Regulatory Commission on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No. 81) (《財政部、國家稅務總局、證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) and other relevant tax laws, regulations and tax treaties.

In order to determine the eligibility of being entitled to the proposed final dividend for H shares, the H share register of the Company will be closed from Friday, 24 May 2019 to Wednesday, 29 May 2019 (both days inclusive), during which no H share transfer will be registered. The H shareholders whose names appear on the register of members of the Company on Wednesday, 29 May 2019 are entitled to the proposed final dividend. Holders of the Company's H shares who wish to receive the proposed final dividend are required to deposit the transfer documents together with the relevant share certificates at the H Share Registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. Thursday, 23 May 2019 for registration.

## 11. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

The Company has complied with all code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the year ended 31 December 2018.

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# MANAGEMENT DISCUSSION AND ANALYSIS

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

The Company has adopted the Model Code as its own code of conduct for securities transactions by directors and supervisors of the Company. Specific enquiries have been made to all the Directors and supervisors of the Company and each of the Directors and supervisors of the Company has confirmed that he/she has complied with the Model Code for the year ended 31 December 2018.

## 13. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

No purchase, sale and redemption of any listed securities of the Company was made by the Company or any of its subsidiaries during the year ended 31 December 2018.

## 14. AUDIT COMMITTEE

The audit committee of the Board has reviewed, with management of the Company, the accounting principles and policies adopted by the Group and the financial statements for the year ended 31 December 2018.

## 15. AMENDMENTS TO CONSTITUTIONAL DOCUMENT

The amendments to the Articles of Association and the Articles of Association which would take effect upon the A shares offering of the Company were approved at the 2017 annual general meeting of the Company held on 6 June 2018 and the 2018 first extraordinary general meeting of the Company held on 26 September 2018, respectively. The amended Articles of Association has taken effect upon the approval at the aforementioned meetings, and the amended Articles of Association which should have taken effect upon the A shares offering of the Company has taken effect since 21 January 2019, i.e. the listing date of A shares of the Company. The current applicable Articles of Association has been published on the websites of the Company and the Hong Kong Stock Exchange.

## 16. MATERIAL LITIGATIONS

Save as the No. 794 case which the Company was involved in as disclosed in the announcement of the Company dated 15 November 2018, the Group was not involved in any material litigation or arbitration for the year ended 31 December 2018.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## 17. CLOSURE OF REGISTER OF MEMBERS AND ASCERTAINING OF ELIGIBILITY FOR ATTENDING THE 2018 AGM

In order to determine the eligibility of shareholders who are entitled to attend the 2018 AGM of the Company, the H share register of the Company will be closed from Wednesday, 17 April 2019 to Friday, 17 May 2019 (both days inclusive), during which no H share transfer will be registered. The shareholders whose names appear on the register of H share members of the Company on Wednesday, 17 April 2019 are entitled to attend and vote at the 2018 AGM. Holders of the Company's H shares who wish to attend the 2018 AGM but have not registered the transfer documents are required to deposit the transfer documents together with the relevant share certificates at the H Share Registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 16 April 2019 for registration.

## 18. SUBSEQUENT EVENTS

### 1 Initial Public Offering of A Shares

To further broaden the capital replenishment channels, and enhance the core competitiveness, the Company completed its initial public offering of RMB dominated ordinary shares (A shares) on the Shanghai Stock Exchange on 21 January 2019 with 454,376,000 shares being issued at a nominal value RMB1.00 per share, the stock code of which is 601298, and the original domestic shares of the Company were simultaneously converted into A shares. The offering price of A share was RMB4.61 per A share, and the A share offering was conducted under a general mandate granted to the Board by the shareholders of the Company at the 2017 annual general meeting held on 6 June 2018. The total amount of funds raised in the A share offering was RMB2,094.6734 million and the net proceeds were RMB1,978.9298 million after deducting the offering expense of RMB115.7436 million. After the A Share offering, the total number of shares of the Company was 6,491,100,000 shares, comprising 5,392,075,000 A shares and 1,099,025,000 H shares.

Details of the use of proceeds were as follows:

	Unit: RMB'000
<b>Investment Projects of Proceeds</b>	<b>Net Amount of Proceeds</b>
the Project of Qingdao Port Investment multi-purpose berths and North Jetty II rear ancillary stacking yards in Dongjiakou Port Area	1,000,000.00
Dongjiakou Integrated Logistics Stacking Yard Phase I Project	180,000.00
Intelligent Port Area Upgrading Project	200,000.00
Port Area Equipment Procurement Project	302,100.00
Supplementing working capital	296,829.80
<b>Total</b>	<b>1,978,929.80</b>



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# MANAGEMENT DISCUSSION AND ANALYSIS

The Company will utilize the proceeds in accordance with the investment progress of the projects and the business development.

In order to improve the efficiency of using the proceeds raised from the A shares offering, the Board resolved on 29 January 2019 that (i) the proceeds of RMB320,323,641 raised from the A shares offering was used to replace the self-raised funds putting into capital raising projects in advance; (ii) among the proceeds raised from the A shares offering, an amount of idle funds of no more than RMB1,500,000,000 are to be used in cash management, purchasing wealth-management products of high security, good liquidity with principal protected appropriately, and the term of such products shall not exceed 12 months. Please refer to the announcement of the Company dated 30 January 2019 for details.

## 2 Upward Adjustment of Company Bond Coupon Rate and its Resale

The first tranche of corporate bonds was issued by the Company on 18 March 2016 (“16 Qinggang 01”, bond code: 136298) with a total amount of RMB1.5 billion. The term of the bond is five years. At the end of the third year, the issuer shall have an option to adjust the coupon rate upward, and the investors shall have an option to sell back the bond. As at the date of this report, the Company increased the coupon rate of “16 Qinggang 01” by 78 basis point, from 2.90% to 3.68%. The “16 Qinggang 01” resale has completed and the resale amount is RMB90,900,000 (excluding interest).

After the upward adjustment in the coupon rate and the completion of the resale, the remaining nominal value of “16 Qinggang 01” listed on the Shanghai Stock Exchange is RMB1,409,100,000, with a coupon rate of 3.68% during its duration.

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

### 1. Executive Directors



**Mr. ZHANG Jiangnan (張江南)**, born in 1967, is a bachelor in engineering of Shanghai Jiao Tong University (上海交通大學) and a senior engineer. He joined the Qingdao Port Authority (青島港務局), which is now the QDP, in July 1989, and has joined the Company since July 2016. He currently serves as the member of the Party Committee, executive Director, a member of Strategy and Development Committee, the president, the chief safety officer and director of business and information department of the Company. He also serves as deputy secretary of the Party Committee of QDP as well as a chairman, vice chairman, director and other positions of several subsidiaries, joint ventures and associates of QDP and the Company. He served as director and manager of technical department in QQCT in charge of machine, the assigned principal of Qingwei Container from QDP, deputy general manager of QQCT, general manager of Qingdao Yuangang International Container Terminal Co., Ltd. (青島遠港國際集裝箱碼頭有限公司), general manager of QQCTU and general manager of West United. Mr. Zhang has over 29 years of working experience in the port industry, and is experienced in managing large-scale port enterprises.



**Ms. JIANG Chunfeng (姜春鳳)**, born in 1976, is a master in management studies of Shandong Economics University (山東經濟學院) (now known as Shandong University of Finance and Economics (山東財經大學)) and a senior accountant. She joined the Qingdao Port Authority (青島港務局), which is now the QDP, in July 2002, and has joined the Company since November 2013. She currently serves as the member of the Party Committee, executive Director, a member of Strategy and Development Committee, the vice president, the chief financial officer and the head of the finance department of the Company, as well as a director and a supervisor of several subsidiaries of the Company and QDP. She served as a deputy director of finance department and a deputy director of capital markets office of QDP, and the head of the Overseas Business Department of the Company. Ms. Jiang has over 17 years of working experience in the port industry, and has extensive experience in large-scale port enterprise management and finance.

### 2. Non-Executive Directors



**Mr. JIAO Guangjun (焦廣軍)**, born in 1966, is a bachelor of Wuhan Water Transportation Engineering College (武漢水運工程學院) (now known as Wuhan University of Technology (武漢理工大學)) and a senior engineer. He joined the Qingdao Port Authority (青島港務局), which is now the QDP, in July 1988, and has joined the Company since November 2013. He currently serves as the deputy secretary of the Party Committee of the Company, the vice chairman, a non-executive Director, a member of Strategy and Development Committee, a member of Nomination Committee, a member of Remuneration Committee of the Company, the president, the deputy secretary of the Party Committee and vice chairman of QDP, as well as the chairman of Qingdao Port Tongze Trading Co., Ltd. (青島港通澤商貿有限公司). He served as a manager of Yougang Company (油港公司) of Qingdao Port Authority, a news center officer, a head of safety and technology department, an assistant to the president and a vice president of QDP and a vice president, president, executive Director of the Company, the chairman of Qingdao Port Technology Co., Ltd. (青島港科技有限公司). Mr. Jiao has over 30 years of working experience in the port industry, and is experienced in managing large-scale port enterprises.

Note: Information stated in this section is up to 28 March 2019.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



• **Mr. ZHANG Wei (張為)**, born in 1973, is a master in management of Fudan University and is an engineer. He has joined the Company since June 2017. He currently serves as a non-executive Director and a member of Strategy and Development Committee of the Company, an executive director, a vice chairman of the board, the managing director, the chairman of the executive committee, risk management committee, investment and strategic planning committee and a member of the nomination committee and the remuneration committee of COSCO SHIPPING Ports Limited, an executive director and a deputy general manager of COSCO SHIPPING Holdings Co., Ltd. (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange with stock codes, 1919 and 601919, respectively), and an executive director of Orient Overseas (International) Limited (a company listed on the Hong Kong Stock Exchange with stock code 0316). Mr. Zhang joined COSCO group in 1995. He was a director of COSCO SHIPPING Lines Co., Ltd., an assistant manager, a deputy manager and the manager of pricing department of marketing and sales division of COSCO SHIPPING Lines, an executive deputy general manager of America trade division of COSCO SHIPPING Lines, an executive vice president of COSCO SHIPPING Lines (North America) Inc., a general manager of strategy and development division of COSCO SHIPPING Lines, a general manager of the operating management division of COSCO SHIPPING Holdings, and a general manager of the operating management division and an executive deputy director of the integration management office of China COSCO Shipping Corporation Limited. He has extensive experience in port management, strategic planning, project development, investment management and project management.



• **Mr. CHU Xiaozhong (褚效忠)**, born in 1961, is a senior political engineer. He joined the Qingdao Port Authority (青島港務局), which is now the QDP, in August 1983, and has joined the Company since November 2013. He currently serves as member of the Party Committee, an employee representative Director, a member of Strategy and Development Committee, a member of Audit Committee, secretary of the Party Committee of Intra-Organizational Department, secretary of the Discipline Inspection Committee of Intra-Organizational Department, and chairman of the Labor Union of Intra-Organizational Department of the Company as well as the secretary of the Party Committee of Qingdao Jiangang Command (青島建港指揮部). He served as a director of development department and a director of personnel department of QDP, and the secretary of the Party Committee and deputy manager of Gangjian Branch of the Company. Mr. Chu has over 35 years of working experience in the port industry, and is experienced in managing large-scale port enterprises.

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## 3. Independent Non-Executive Directors



● **Mr. WANG Yaping (王亞平)**, born in 1964, is a bachelor in law of East China College of Political Science and Law (華東政法學院) (now known as East China University of Political Science and Law (華東政法大學)) and a second-grade lawyer. He has joined the Company since May 2014. He currently serves as an independent non-executive Director, the chairman of Nomination Committee, the chairman of Remuneration Committee, a member of Strategy and Development Committee of the Company, and an executive director and a senior partner of Shandong Qindao Law Office (山東琴島律師事務所), the vice president of Shandong Lawyers Association (山東省律師協會), the president of Qingdao Lawyers Association (青島市律師協會), an arbitrator of Qingdao Arbitration Commission (青島市仲裁委員會), an independent supervisor of Tsingtao Brewery Company Limited (青島啤酒股份有限公司) (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, with stock codes 00168 and 600600, respectively), and an independent director of Qingdao Tianneng Heavy Industries Co., Ltd. (a company listed on the Shenzhen Stock Exchange, with stock code 300569), an independent non-executive director of Prosper Construction Holdings Limited (瑞港建設控股有限公司) (a company listed on the Hong Kong Stock Exchange, with stock code: 06816), an external director of Qingdao Conson Financial Holdings Co., Ltd., and an independent director of Qingdao BAHEAL Pharmaceutical Co., Ltd..



● **Mr. CHAU Kwok Keung (鄒國強)**, born in 1976, is a bachelor in business administration of the Chinese University of Hong Kong. He is a fellow member of the Association of Chartered Certified Accountants, a member of Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst of CFA Institute. He has joined the Company since May 2014. He currently serves as an independent non-executive Director and the chairman of Audit Committee of the Company, an executive director, the chief financial officer and a company secretary of Comtec Solar Systems Group Limited (a company listed on the Hong Kong Stock Exchange with stock code: 712), as well as an independent non-executive director of The9 Limited (a NASDAQ-listed company with stock code: NCTY), an independent non-executive director of China Xinhua Education Group Limited (a company listed on the Hong Kong Stock Exchange with stock code: 2779), and an independent non-executive director of China Tobacco International (HK) Co., Ltd.. He served as a deputy group financial controller of China South City Holdings Limited (a company listed on the Hong Kong Stock Exchange with stock code: 1668), a qualified accountant, a chief financial officer, a company secretary and an authorized representative of China.com Inc. (now known as Sino Splendid Holdings Limited) (a company listed on the Hong Kong Stock Exchange, with stock code: 8006) and a member of the supervisory committee of RIB Software AG, a German software company listed on the Frankfurt Stock Exchange (Stock Code: RSTAG). Mr. Chau is experienced in financial management and corporate management.



# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



**Mr. YANG Qiulin (楊秋林)**, born in 1966, is a master of science in applied accounting and finance of Hong Kong Baptist University, a certified public accountant in China, an assets appraiser, the Excellent Certified Public Accountant in Shandong Province and a fellow member of the Chinese Institute of Certified Public Accountants. He has joined the Company since September 2014. He currently serves as an independent non-executive Director, a member of Audit Committee, Nomination Committee, and Remuneration Committee of the Company, a deputy head of Shandong Branch of Da Hua Certified Public Accountants Co., Ltd. (大華會計師事務所) (special general partnership) and the executive director of Qingdao Ruiyuan Chengde Management Consultation Limited. He served as the deputy head of Shandong Dongfang Junhe Certified Public Accountants Co., Ltd. (山東東方君和會計師事務所), the financial general manager of Shandong Zhongyuan Investment Group Co., Ltd. (山東中苑投資集團), the deputy general manager of Shandong Reanda Dongxin Certified Public Accountants Co., Ltd. (山東利安達東信會計師事務所有限公司) and deputy general manager of Qingdao Branch of Reanda Certified Public Accountants Co., Ltd. (利安達會計師事務所) (special general partnership). Mr. Yang has extensive knowledge and practical experience in financial management and capital management.

## BIOGRAPHICAL DETAILS OF MEMBERS OF THE SUPERVISORY COMMITTEE OF THE COMPANY

### 1. Shareholder Representative Supervisors



**Mr. ZHANG Qingcai (張慶財)**, born in 1960, is a bachelor in engineering of Dalian Maritime Institute (大連海運學院) (now known as Dalian Maritime University (大連海事大學)) and a researcher of engineering technology application. He joined Qingdao Port Authority (青島港務局), which is now the QDP, in September 1983, and has joined the Company since November 2013. He currently serves as member of the Party Committee and the Chairman of the Supervisory Committee of the Company, member of the Party Committee and chief engineer of QDP, the secretary of the Party Committee, director and general manager of QQCT, and the director of QQCTN. He served as the director of the general office department, member of the Party Committee of Intra-Organizational Department, the director of the Safety and Technology Department, and factory director of the Manufacturing Factory (港機廠) of QDP. Mr. Zhang has over 35 years of working experience in the port industry, and is experienced in managing large-scale port enterprises.



**Mr. LI Wucheng (李武成)**, born in 1965, is a bachelor in economics studies of Shandong Economics University (山東經濟學院) (now known as Shandong University of Finance and Economics (山東財經大學)) and an assistant statistician. He joined Qingdao Port Authority (青島港務局), which is now the QDP, in 1987, and has joined the Company since September 2014. He currently serves as a member of the Party Committee and Supervisor of the Company, general manager and the secretary of the Party Committee of Qingdao Port Logistics as well as a chairman, director and general manager of several subsidiaries, joint ventures and associates of the Company. He served as a director of the administration office, a tallyman, the production planner, deputy chief of financial planning department and head to freezer department of the Container Company (集裝箱公司) of Qingdao Port Authority, which is now the QDP, a dispatch planner of the Qingdao Yuangang International Container Terminal Co., Ltd. (青島遠港國際集裝箱碼頭有限公司), the deputy manager of Qingdao Port Jieshun Company (青島港捷順公司), the principal of Rizhao Riqing Container Terminal Co., Ltd. (日照日青集裝箱碼頭有限公司) nominated by QDP, the plan manager of the Operation Department and deputy general manager of QQCT, and the general manager of Qingdao Port International Cargo Logistics Co., Ltd. (青島港國際貨運物流有限公司). Mr. Li has over 31 years of working experience in the port industry, and is experienced in managing large-scale port enterprises.

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## 2. Independent Supervisors



**Mr. LI Xuxiu (李旭修)**, born in 1967, is a bachelor of Southwest China University of Political Science and Law (西南政法大學), a postgraduate of Chinese Academy of Social Sciences (中國社會科學院), the Excellent Lawyer in China and an arbitrator of the China International Economic and Trade Arbitration Commission, and a second-grade lawyer. He has joined the Company since September 2014. He currently serves as an independent Supervisor of the Company, a senior partner and a director of Shandong Deheng Law Firm (山東德衡律師事務所), a deputy director of the Qingdao Lawyers Association (青島市律師協會), a deputy manager of Qingdao Hehe Coating Material Co., Ltd., (青島和合塗裝材料有限公司), a director of the corporate law committee of the Lawyers Association of Shandong Province (山東省律師協會) and a member of the civil cases professional committee of the All-China Lawyers Association (中華全國律師協會). He was a teacher at the Ocean University of China (中國海洋大學), and a lawyer, a partner, a senior partner and a director of Shandong Deheng Law Firm (山東德衡律師事務所).



**Mr. LIU Dengqing (劉登清)**, born in 1970, has a doctorate in management studies of Tsinghua University. He has joined the Company since September 2014. He currently serves as an independent Supervisor of the Company, the director, president and chief executive officer of China Enterprise Appraisals Company, Inc. (北京中企華資產評估有限責任公司), an independent director of China Spacesat Co. Ltd. (中國東方紅衛星股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600118), an independent director of Hengxin Shambala Culture Co., Ltd. (恆信東方文化股份有限公司) (a company listed on the Shenzhen Stock Exchange, with stock code: 300081), an independent director of Hebei Baoshuo Co., Ltd. (華創陽安股份有限公司, once named as Hebei Baoshuo Co., Ltd.) (a company listed on the Shanghai Stock Exchange, with stock code: 600155), an independent director of Dongfang Electric Co., Ltd. (東方電氣股份有限公司) (a company listed on the Shanghai Stock Exchange, with stock code: 600875), the executive director of China Assets Appraisal Association (中國資產評估協會), a vice president of Beijing Assets Appraisal Association (北京資產評估協會), a project appraisal expert of financial institution state assets appraisal project of the Ministry of Finance (財政部) and a member of the Project Appraisal Expert Group of State-Owned Assets Supervision and Administration Commission of the State Council (SASAC). He served as an independent director of Harbin Electric Company Limited (哈爾濱電氣股份有限公司) (a company listed on the Hong Kong Stock Exchange, with stock code: 01133), a member of the 10th National Youth Federation, a special member of the 10th and 11th Issuance Examination Committee of China Securities Regulatory Commission (CSRC), a member of the 4th and 5th Merger and Reorganization Committee of CSRC. Mr. Liu has extensive experience in assets appraisal and is a certified real estate appraiser of China, an asset appraiser and a mining rights appraiser. He is one of the first Top 10 Youth Appraisers in China and the first batch of leading talents in asset appraisal industry.

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## 3. Employee Representative Supervisors



**Mr. LIU Shuiguo (劉水國)**, born in 1975, is a bachelor of Wuhan University of Technology and a master of Dalian Maritime University, and holds the qualification as a lawyer of the People's Republic of China. He is a professor. He has joined the Company since April 2017. He currently serves as the employee representative Supervisor and the director of Legal Department, member of the Party Committee of Intra-Organizational Department and vice chairman of Labor Union of Intra-Organizational Department of the Company, director of Qingdao Shihua, director of QQCT, director of Datang Port, director of Qingdao Port Dongjiakou General Terminal Co., Ltd. (青島港董家口通用碼頭有限公司), director of Qingdao Zhenhua Oil Storage Co., Ltd. (青島振華石油倉儲有限公司), director of Qingdao International Cruise Port Development & Construction Co., Ltd (青島國際郵輪港開發建設有限公司), director of Qingdao International Cruise Co., Ltd (青島國際郵輪有限公司) and supervisor of QDP Financial Holdings. He served as the assistant to the director of Legal Department of the Company, deputy director of Legal Department of the Company, member of the Party Committee, assistant to the dean, deputy director and director of educational administration office and director of the electrical engineering department of Qingdao Harbour Vocational & Technical College (青島港灣職業技術學院).



**Ms. WANG Xiaoyan (王曉燕)**, born in 1977, graduated from Shandong Provincial Party School (山東省委黨校) with an on-the-job bachelor degree majoring in archive secretary and is a political engineer. She has joined the Company since November 2013. She currently serves as the employee representative Supervisor, director of general office of the Labor Union, and deputy director of Female Worker Committee of the Company, director of general office of the Labor Union, and deputy director of Female Worker Committee of QDP. She served as section chief and head of elder works of human resources department, and manager of the general department of Dagang Branch of the Company.

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## BIOGRAPHICAL DETAILS OF THE SENIOR MANAGEMENT OF THE COMPANY



● **Mr. ZHANG Jiangnan (張江南)**, the president of the Company, is one of the senior management. For his biographical details, please refer to “Executive Directors” section.



● **Mr. SU Jianguang (蘇建光)**, born in 1969, is a master of engineering in Ocean University of China (中國海洋大學) and a researcher of engineering technology application. He joined the Qingdao Port Authority (青島港務局), which is now the QDP, in July 1989, and has joined the Company since November 2013. He currently serves as member of the Party Committee, the vice president of the Company, a manager and the secretary of the Party Committee of Port Construction Branch (港建分公司), member of the Party Committee of QDP, a member of the Communist Party and deputy director of Qingdao International Cruise Port Authority (青島國際郵輪港管理局), a head of the headquarters of Qingdao Port Construction (青島建港指揮部), the secretary of the Party Committee of QDP Investment, a chairman of Qingdao International Cruise Port Development & Construction Co., Ltd (青島國際郵輪港開發建設有限公司), a chairman of Qingdao Cruise Home Port Development & Construction Co., Ltd (青島郵輪母港開發建設有限公司), a chairman of Qingdao International Cruise Co., Ltd (青島國際郵輪有限公司), and a chairman of Qingdao Dongjiakou Railway Co., Ltd. (青島董家口鐵路有限公司). He served as a deputy manager and member of the Party Committee of Port Engineering Company of Qingdao Port Authority (青島港務局港務工程公司), a deputy general manager of Qingdao Passenger Liner Home Port Co., Ltd. (青島郵輪母港有限公司) and general manager of QDP Investment. Mr. Su has over 29 years of working experience in the port industry, and has extensive experience in large-scale port enterprise management.



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



## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



**Mr. WANG Xinze (王新澤)**, born in 1963, is an undergraduate of the Shandong Provincial Party School and an economist. He joined Qingdao Port Authority (now known as QDP) in August 1983 and joined the Company in November 2013. He currently serves as member of the Party Committee, the vice president and director of the human resources department, a director of the Organization Department of the Party Committee and member of the Party Committee of Intra-Organizational Department of the Company, and a director of Organization Department of the Party Committee and member of the Party Committee of Intra-Organizational Department of the QDP. He previously served as deputy director of the labour department of the Qingdao Port Authority (now known as QDP), deputy director and director of the human resources department and deputy director of the general office of QDP, and director of the general management department of the Company. Mr. Wang has more than 35 years of experience in the port industry and has extensive experience in human resource management for large ports.



**Mr. CHEN Fuxiang (陳福香)**, born in 1966, is a bachelor in law of Renmin University of China (中國人民大學), a master in law of Dalian Maritime University (大連海事大學), a senior economist and a senior political engineer, and holds the qualification as a lawyer of the People's Republic of China. He joined the Qingdao Port Authority (青島港務局), which is now the QDP, in July 1988, and has joined the Company since November 2013. He currently serves as member of the Party Committee, the company secretary, the Board Secretary, authorized representative, chairman of Labor Union, director of the General Office of the Board and director of Publicity Department of the Party Committee, and member of the Party Committee of Intra-Organizational Department of the Company, the vice chairman of Labor Union, director of Publicity Department of the Party Committee, and member of the Party Committee of Intra-Organizational Department of QDP. He served as director of Party Committee Office of the Company, deputy director of the general office and a director of the Research Office of the Qingdao Port Authority, a deputy director of the general office of QDP, a secretary of the Party Committee of the Dagang Branch, a secretary of the Party Committee and political commissar of Qingdao Port Public Security Bureau, and a director of the general office of QDP. Mr. Chen has over 30 years of working experience in the port industry, and has extensive experience in large-scale port enterprise management.

The Board is pleased to present the annual report and the audited financial statements of the Company for the year ended 31 December 2018.

## PRINCIPAL BUSINESSES AND ACTIVITIES

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

More details regarding the subsidiaries, joint ventures and associates of the Company are set out in Note 6 to the financial statements. The performance of the Group's business segments for the year is set out in Note 8 to the financial statements.

## BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided on Management Discussion and Analysis and the Chairman's Statement of this annual report. Description of possible risks and uncertainties that the Group may be facing is set out on pages 40 to 41 of this annual report. The material subsequent event undertaken by the Group after 31 December 2018 is set out on pages 49 to 50 of this annual report. An analysis of the Group's performance during the year using financial key performance indicators is provided on pages 22 to 46 of this annual report. Details of the capital structure of the Company is provided on page 38 of this annual report. Details of the significant capital investment of the Group is provided on page 42 of this annual report.

In addition, information of the Company's environmental policies and performance can be found in "8. Corporate Social Responsibility" in the Management Discussion and Analysis of this annual report. Our Company's compliance with relevant laws and regulations which have a significant impact on the Group are provided in the section headed "Compliance with Laws and Regulations" of this directors' report. An account of the Company's relationship with its employees, customers, and suppliers is disclosed in the section headed "Relationship with Stakeholders" of this directors' report.

# DIRECTORS' REPORT

## DIVIDEND POLICY

Reference is made to the dividend policy stipulated in the Prospectus of the Company for H-share dated 26 May 2014 and the Company has consistently distributed dividends in accordance with the Articles of Association. The Board of the Company is responsible for submitting the suggestions concerning dividend distribution (if have) to shareholders' general meeting for approval. Whether the Company pays dividend and the amount of such dividend paid by the Company depends on the Company's operation performance, cash flow, financial status, cash dividend collected from subsidiaries, future business prospects, legal and regulatory restriction concerning the dividend distribution and other factors considered by the Board to be related.

The profit distribution policy set out in the applicable Articles of Association after the completion of A-share issuance by the Company on 21 January 2019:

- (I) The Company distributes profit in cash, stock, or combined cash and stock or other methods permitted by laws and regulations and normative documents;
- (II) The Company may distribute its dividend in cash under the condition that the Company is profitable in the current year and its accumulated undistributed profit is positive, and the audit institution has issued a standard audit report with unqualified opinions towards the Company's annual financial report. The accumulated profit distributed by the Company in cash in recent three years shall be no less than 30% of the average annual distributable profit gained in recent three years. The undistributed distributable profit of the year may be retained for distribution for future years. The distribution of the Company's profit shall not exceed its accumulated distributable profit nor damage the Company's sustainable operation ability;
- (III) While satisfying the requirements of cash dividend stipulated in the Articles of Association, the Company will proactively distribute dividend in cash. In principle, the cash dividend is given once a year. The Board of the Company will make the proposal of conducting mid-term profit distribution according to the Company's profitability and capital demand;
- (IX) To keep equity expansion in line with performance growth, the Company may distribute profit in stock dividend according to the situation of accumulated distributable profit, capital reserves and cash flow and under the premise that the conditions of the minimum cash dividend ratio and the above mentioned cash dividend have been satisfied.

The profit distribution policy set out in the Three-year Shareholders' Dividend Return Plan after the Initial Public Offering and Listing of A Shares of Qingdao Port International Co., Ltd.:

The Company distributes profit in cash, stock, or combined cash and stock or other methods permitted by laws and regulations and normative documents;

The Company may distribute its dividend in cash under the condition that the Company is profitable in the current year and its accumulated undistributed profit is positive, and the audit institution has issued a standard audit report with unqualified opinions towards the Company's annual financial report. The cash dividend of the Company in each year shall be no less than 40% of the distributable profit in the current year. The calculation method used for distributable profit in the current year is the net profit attributable to the parent company according to the consolidated financial statements prepared by the Accounting Standards of China deducts the accumulated compensation amount for losses, statutory provident fund and other necessary reserves calculated and drew by the parent company and its subsidiaries, and the amount after considering the factors such as the impact caused to the annual net profit by the amount of asset evaluation increment invested in the Company by its sponsor and shareholder Qingdao Port (Group) Co., Ltd. when the Company was established. The undistributed distributable profit of the year may be retained for distribution for future years. The distribution of the Company's profit shall not exceed its accumulated distributable profit nor damage the Company's sustainable operation ability;

While satisfying the requirements of cash dividend stipulated in the Articles of Association, the Company will proactively distribute dividend in cash. In principle, the cash dividend is given once a year. The Board of the Company will make the proposal of conducting mid-term profit distribution according to the Company's profitability and capital demand;

To keep equity expansion in line with performance growth, the Company may distribute profit in stock dividend according to the situation of accumulated distributable profit, capital reserves and cash flow and under the premise that the conditions of the minimum cash dividend ratio and the above mentioned cash dividend have been satisfied.

## RESULTS AND FINAL DIVIDEND

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

The Board has proposed the distribution of final dividend of RMB379.70 (tax inclusive) per thousand shares, totaling approximately RMB2,464.6707 million (tax inclusive) which represents the aggregate of the 50% of distributable profits attributable to shareholders of the Company for the year ended 31 December 2017 and the 40% of distributable profits attributable to shareholders of the Company for the year ended 31 December 2018. Such distribution plan will be implemented subject to approval at the 2018 AGM.

## SHARE CAPITAL

As at 31 December 2018, the Company had a total of 6,036,724,000 issued shares with a nominal value of RMB1.00 each, and the structure of its share capital is as follows:

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

Changes in share capital of the Company during the year are set out in Note 1 and Note 4(33) to the financial statements.



# DIRECTORS' REPORT

The Company completed its initial public offering of RMB dominated ordinary shares (A shares) on the Shanghai Stock Exchange on 21 January 2019 with 454,376,000 shares being issued at a nominal value RMB1.00 per share. After the completion of A share offering, the original domestic shares of the Company were simultaneously converted into A shares. After completion of the A share offering, share capital structure of the Company is set out below:

Class	Number of shares	Percentage in the issued shares of the Company
A shares	5,392,075,000	83.1%
H shares	1,099,025,000	16.9%
Total	6,491,100,000	100.0%

## AUDIT COMMITTEE

The audit committee of the Company has reviewed the annual results and the financial statements of the Company for the year ended 31 December 2018.

## RESERVES

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

## DISTRIBUTABLE RESERVES

As at 31 December 2018, the amount of reserves available for distribution of the Company was approximately RMB8,153 million, including a dividend of approximately RMB2,465 million, which is proposed at the 2018 AGM on 17 May 2019.

## DONATIONS

During the year, the Company and its subsidiaries contributed RMB5 million to support the extension of the kindergarten in Yunshan Town of Pingdu county-level municipality of Qingdao municipality of Shandong province, donated RMB300,000 to Hope Primary School in Anshun municipality of Guizhou province for construction of school facilities and equipment, and donated RMB500,000 to the charity federation of Binhai district of Weifang municipality of Shandong province for flood fighting and relief as well as post-disaster reconstruction work, respectively.

## BANK BORROWINGS AND OTHER BORROWINGS

Details of bank borrowings and other borrowings of the Company and its subsidiaries as at 31 December 2018 are set out in Note 4(20) and Note 4(27) to the financial statements.

## USE OF NET PROCEEDS

The net proceeds from the Global Offering were approximately RMB2,198 million. Considering the actual business development and operation of the Group, the Company has changed the investment projects which the remaining net proceeds were originally proposed to fund. Please refer to the announcement of the Company dated 28 December 2016 for detailed information. As at 31 December 2017, RMB48 million was carried over to this year, which is proposed to be used towards the construction of the oil tanks in the Dongjiakou Port Area. For the year ended 31 December 2018, the Company did not use the aforesaid remaining proceeds. The Company will utilize the remaining proceeds in accordance with the progress of the investment projects and the business development. As at the date of this report, there is no detailed schedule for the utilization of the remaining proceeds.

The net proceeds from the New H Shares Placing of the Company in 2017 were approximately HK\$1,035 million, equivalent to approximately RMB912 million, which will be used in the way as disclosed in the announcement of the Company dated 20 January 2017. As at 31 December 2017, HK\$1,035 million was carried over to this year, which is proposed to be used as funds for the overseas terminal investment and the overseas acquisition of the Company and working capital for the management of overseas terminal projects by the terminal project management company(ies) jointly established with COSCO SHIPPING Ports. For the year ended 31 December 2018, HK\$0.49 million had been utilized towards the investment projects in the way as disclosed in the announcement of the Company dated 20 January 2017, which was mainly used as working capital for the management of overseas terminal projects by the terminal project management company(ies) jointly established with COSCO SHIPPING Ports. The Company will utilize the remaining proceeds in accordance with the progress of the investment projects and the business development. As at the date of this report, there is no detailed schedule for the utilization of the remaining proceeds.

The net proceeds from the Company's issuance of the Domestic Shares to Shanghai China Shipping Terminal Development Co., Ltd. were approximately RMB2,600 million. As at 31 December 2017, RMB1,218 million was carried over to this year, which is proposed to be used towards the construction of the port facilities in Dongjiakou Port Area, the optimization of the modern logistics business structure of the Company, the domestic terminals investment and acquisition and the consolidation of the relevant port assets in the Port of Qingdao, and the information facility construction of the Company in accordance with the ways as disclosed in the announcement of the Company dated 20 January 2017. For the year ended 31 December 2018, RMB906 million had been utilized towards the investment projects in the way as disclosed in the announcement of the Company dated 20 January 2017, which was mainly used for the construction of the port facilities in the Dongjiakou Port Area and the information facility construction of the Company. The Company will utilize the remaining proceeds in accordance with the progress of the investment projects and the business development. As at the date of this report, there is no detailed schedule for the utilization of the remaining proceeds.

# DIRECTORS' REPORT

## MAJOR CUSTOMERS AND SUPPLIERS

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

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

## SIGNIFICANT INVESTMENT

Details of the Group's significant investments and their performance during the year are set out in Note 4(11), Note 6(2) to the financial statements.

## FIXED ASSETS AND CONSTRUCTION IN PROGRESS

Details of changes in property, plant and equipment of the Group are set out in Note 4(14) and Note 4(15) to the financial statements.

## INVESTMENT PROPERTIES

Details of investment properties of the Group for the year are set out in Note 4 (13) to the financial statements.

## DIRECTORS, SUPERVISORS AND THEIR CHANGES

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

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

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

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

Mr. MA Baoliang, the employee representative Director, reached his statutory retirement age and retired as the employee representative Director with effect from 15 August 2018. The Company appointed Mr. CHU Xiaozhong as the employee representative Director at the joint meeting of employee representative meeting of the Company held on 15 August 2018. For further details, please refer to the announcement of the Company dated 15 August 2018.

Ms. XUE Qingxia, the employee representative Supervisor, due to reaching the retirement age, and Ms. LIU Yuping, the employee representative Supervisor, due to changes in work arrangements, both retired as the employee representative Supervisors with effect from 15 August 2018. The Company appointed Mr. LIU Shuiguo and Ms. WANG Xiaoyan as the employee representative Supervisors at the joint meeting of employee representative meeting of the Company held on 15 August 2018. For further details, please refer to the announcement of the Company dated 15 August 2018.

Mr. JIAO Guangjun resigned as the president of the Company due to changes in work arrangements on 26 September 2018. The Board resolved on 26 September 2018 to re-designate Mr. JIAO Guangjun as a non-executive Director of the Company, appoint Mr. ZHANG Jiangnan as the president of the Company and re-designate him as the executive Director of the Company with effect from 26 September 2018. For further details, please refer to the announcement of the Company dated 26 September 2018.

Save as disclosed herein, there had been no changes to the Directors', Supervisors' and chief executive's information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the period from 1 January 2018 to 31 December 2018.

## BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

For the year ended 31 December 2018, the Board comprised nine Directors, including three executive Directors, namely Mr. ZHENG Minghui, Mr. ZHANG Jiangnan and Ms. JIANG Chunfeng; three non-executive Directors, namely Mr. JIAO Guangjun, Mr. ZHANG Wei and Mr. CHU Xiaozhong; and three independent non-executive Directors, namely Mr. WANG Yaping, Mr. CHAU Kwok Keung and Mr. YANG Qiulin.

Note: Mr. ZHENG Minghui tendered his resignation letter to the Board on 29 January 2019 due to his age to the effect that Mr. ZHENG Minghui would resign as an executive director of the Company, the chairman of the Board, the chairman of the Strategy and Development Committee of the Board and a member of the Nomination Committee of the Board. The resignation letter of Mr. ZHENG Minghui took immediate effect upon its delivery to the Board and did not result in the member of the Board being below the legal minimum number.



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## DIRECTORS' REPORT

The Supervisory Committee currently comprises six Supervisors, including two shareholder representative Supervisors, namely Mr. ZHANG Qingcai and Mr. LI Wucheng; two independent supervisors, namely Mr. LI Xuxiu and Mr. LIU Dengqing; and two employee representative supervisors, namely Mr. LIU Shuiguo and Ms. WANG Xiaoyan.

There are five senior management in total, including the President Mr. ZHANG Jiangnan, the vice presidents Mr. SU Jianguang, Ms. JIANG Chunfeng (also the chief financial officer) and Mr. WANG Xinze, and the Board Secretary Mr. CHEN Fuxiang.

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

### SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

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

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

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

### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2018.

### INTERESTS OF DIRECTORS IN BUSINESSES COMPETING WITH THE COMPANY

COSCO SHIPPING Group is one of the largest shipping companies in the world, the port operation and investment and the logistics business of which are similar to and/or are likely to compete/compete with those of the Company. Mr. ZHANG Wei, a non-executive Director, concurrently also serves as director of COSCO SHIPPING Ports, COSCO SHIPPING Holdings Co., Ltd. and Orient Overseas (International) Limited, all of which are members of COSCO SHIPPING Group.

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

## REMUNERATION OF DIRECTORS AND SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS

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

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

So far as the Directors are aware, as at 31 December 2018, none of the Directors, supervisors or chief executives and their respective associates had any interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which will be required, pursuant to Section 352 of the SFO, to be recorded in the register kept by the Company, or (ii) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

## MATERIAL CONTRACT

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

# DIRECTORS' REPORT

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 December 2018, the following person (other than the Directors, Supervisors and chief executives) had interest or short positions in the shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which will be required, pursuant to Section 336 of the SFO, to be recorded in the register kept by the Company:

Name	Class of Shares	Capacity/Nature of interest	Number of shares held <sup>(1)</sup>	Approximate percentage of shareholding in the registered capital of the Company	Approximate percentage of shareholding in the total number of issued domestic shares of the Company	Approximate percentage of shareholding in the total number of issued H shares of the Company	Long position/short position
QDP	Domestic shares	Beneficial owner <sup>(1)</sup>	3,522,179,000	58.35%	71.33%	—	Long position
COSCO SHIPPING Ports Limited	Domestic shares	Interest in a controlled corporation <sup>(2)</sup>	1,111,520,000	18.41%	22.51%	—	Long position
China COSCO (Hong Kong) Limited	Domestic shares	In-terest in a controlled corporation <sup>(2)</sup>	1,111,520,000	18.41%	22.51%	—	Long position
COSCO SHIPPING Holdings Co., Ltd.	Domestic shares	Interest in a controlled corporation <sup>(2)</sup>	1,111,520,000	18.41%	22.51%	—	Long position
China Ocean Shipping (Group) Company	Domestic shares	Interest in a controlled corporation <sup>(3)</sup>	1,207,520,000	20.00%	24.46%	—	Long position
China COSCO Shipping Corporation Limited	Domestic shares	Interest in a controlled corporation <sup>(3)</sup>	1,207,520,000	20.00%	24.46%	—	Long position
Value Partners Group Limited	H shares	Interest in a controlled corporation <sup>(4)</sup>	109,901,000	1.82%	—	10.00%	Long position
Value Partners High-Dividend Stocks Fund	H shares	Beneficial owner	99,033,000	1.64%	—	9.01%	Long position
中國人壽保險(集團)公司	H shares	Beneficial owner	180,000,000	2.98%	—	16.38%	Long position
Invesco Asset Management Limited	H shares	Investment Manager	88,157,000	1.46%	—	8.02%	Long position
Invesco Hong Kong Limited	H shares	Investment Manager	58,708,000	0.97%	—	5.34%	Long position
FMR LLC	H shares	Interest in a controlled corporation	66,037,983	1.09%	—	6.01%	Long position

### Notes:

- (1) QDP is wholly owned by the State-owned Assets Supervision and Administration Commission of Qingdao Municipality. The Company was informed that as at 31 December 2018, QDP held 8,269,000 H shares of the Company, representing approximately 0.75% of the total number of issued H shares of the Company. According to the SFO, the shareholders of the Company only need to submit the disclosure of interests form when certain conditions are reached. As at the date of holding the H shares of the Company by QDP and as at the date of this report, the Company had sufficient public float and the issued shares of the Company held by the public is no less than 16.62%, and is therefore in compliance with the Listing Rules.
- (2) 96,000,000 domestic shares and 1,015,520,000 domestic shares of the Company are directly held by China Shipping Terminal Development Co., Ltd. and Shanghai China Shipping Terminal Development Co., Ltd., respectively. Shanghai China Shipping Terminal Development Co., Ltd. is wholly owned by China Shipping Terminal Development Co., Ltd.. China Shipping Terminal Development Co., Ltd. is wholly owned by China Shipping Ports Development Co., Limited, which is wholly owned by COSCO SHIPPING Ports Limited. COSCO SHIPPING Ports Limited is 46.72% owned by China COSCO (Hong Kong) Limited, which is wholly owned by COSCO SHIPPING Holdings Co., Ltd.. COSCO SHIPPING Holdings Co., Ltd. is 45.47% owned by China Ocean Shipping (Group) Company, which is wholly owned by China COSCO Shipping Corporation Limited. As such, each of COSCO SHIPPING Ports Limited, China COSCO (Hong Kong) Limited, and COSCO SHIPPING Holdings Co., Ltd. is deemed to be interested in 1,111,520,000 domestic shares of the Company.

- (3) In addition to the 96,000,000 domestic shares and 1,015,520,000 domestic shares of the Company directly held by China Shipping Terminal Development Co., Ltd. and Shanghai China Shipping Terminal Development Co., Ltd. respectively, there are 96,000,000 domestic shares of the Company directly held by Qingdao Ocean Shipping Co., Ltd. (whose name was changed to COSCO Shipping (Qingdao) Co., Ltd. on 23 January 2019), which is wholly owned by China COSCO Bulk Shipping (Group) Co., Ltd.. China COSCO Bulk Shipping (Group) Co., Ltd. is 43.5% owned by China Ocean Shipping (Group) Company and 56.5% owned by COSCO SHIPPING Bulk Co., Ltd.. Both China Ocean Shipping (Group) Company and COSCO SHIPPING Bulk Co., Ltd. are wholly owned by China COSCO Shipping Corporation Limited. As such, each of China Ocean Shipping (Group) Company and China COSCO Shipping Corporation Limited is deemed to be interested in 1,207,520,000 domestic shares of the Company.
- (4) Such shares of the Company are directly held by Value Partners Limited, which is wholly owned by Value Partners Hong Kong Limited. Value Partners Hong Kong Limited is wholly owned by Value Partners Group Limited.

Save as disclosed above, as at 31 December 2018, none of the persons had interest or short positions in the shares and underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which will be required, pursuant to Section 336 of the SFO, to be recorded in the register kept by the Company.

## DEBENTURES IN ISSUE

In order to meet its operation demands, optimize and adjust its debt structure and lower its financing costs, the Company issued the 2016 first tranche of domestic corporate bonds on 16 March 2016 and the 2016 second tranche of domestic corporate bonds on 6 June 2016, details of which are set out in Note 4(28) of the financial statements.

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

Save as otherwise disclosed in this annual report, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any Directors or supervisors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors and supervisors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate for the year ended 31 December 2018.

## EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, the Company did not enter into any equity-linked agreement for the year ended 31 December 2018.

## PERMITTED INDEMNITY PROVISION

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

## PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDER

The controlling Shareholder did not pledge any of its shares in the Company to secure the Company's debts or to secure guarantees or other support of the Company's obligations for the year ended 31 December 2018.



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# DIRECTORS' REPORT

## SHARE OPTION SCHEME

As of 31 December 2018, the Company did not implement any share option scheme.

## SUFFICIENCY OF PUBLIC FLOAT

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

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

## PRE-EMPTIVE RIGHTS

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

## EMPLOYEES, REMUNERATION AND PENSION SCHEME

Details of employees, remuneration policy and pension scheme of the Group are set out in Notes 4(24) and Notes 4(31) to the financial statements.

## CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no material contingent liabilities.

## NON-COMPETITION AGREEMENT AND UNDERTAKING

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

## CONFIRMATION OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has adopted and complied with all applicable provisions as set out in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2018. For details of compliance with the Corporate Governance Code, please refer to the "Corporate Governance Report".

## AUDITORS

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

## CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Summary of the Company's connected persons (Set out below is the information as of 31 December 2018)

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

## CONNECTED TRANSACTIONS

The Group has not conducted non-exempt connected transactions during the year ended 31 December 2018.

# DIRECTORS' REPORT

## CONTINUING CONNECTED TRANSACTIONS

### (A) CONTINUING CONNECTED TRANSACTIONS WITH QDP

#### i. Asset Lease Framework Agreement

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

#### ii. General Goods and Services Framework Agreement I

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

#### iii. General Goods and Services Framework Agreement II

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

#### iv. Comprehensive Financing Services Framework Agreement

On 19 March 2018, the Company entered into the Comprehensive Financing Services Framework Agreement with QDP pursuant to which the QDP shall provide a range of financing services to the Group, which primarily include (i) finance lease services; (ii) commercial factoring services; and (iii) small loan services. The term of the agreement is from 6 June 2018 to 31 December 2019. Please refer to the announcement made by the Company dated 19 March 2018, circular of the 2017 annual general meeting of the Company dated 12 April 2018 and the poll results of the 2017 annual general meeting dated 6 June 2018 for details of the aforesaid agreement.

## **(B) CONTINUING CONNECTED TRANSACTIONS WITH QINGDAO FINANCE**

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

## **(C) CONTINUING CONNECTED TRANSACTIONS WITH QINGDAO FINANCIAL LEASING**

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

Pursuant to the Comprehensive Financing Services Framework Agreement (please refer to the aforesaid (A)iv) entered into between the Company and QDP on 19 March 2018, upon the coming into effect of the Comprehensive Financing Services Framework Agreement on 6 June 2018, the Finance Lease Framework Agreement would become invalid.

## **(D) CONTINUING CONNECTED TRANSACTIONS WITH QDP FINANCIAL HOLDINGS**

On 19 September 2017, the Company entered into the Commercial Factoring Framework Agreement with QDP Financial Holdings, a wholly-owned subsidiary of QDP, pursuant to which QDP Financial Holdings shall provide commercial factoring services to the Group including accounts receivable financing services and the other commercial factoring services. The agreement is valid for a term of 12 months upon signing. Please refer to the announcement made by the Company dated 19 September 2017 for details of the abovesaid agreement.

Pursuant to the Comprehensive Financing Services Framework Agreement (please refer to the aforesaid (A)iv) entered into between the Company and QDP on 19 March 2018, upon the coming into effect of the Comprehensive Financing Services Framework Agreement on 6 June 2018, the Commercial Factoring Framework Agreement would become invalid.

# DIRECTORS' REPORT

## (E) Continuing connected transactions with COSCO SHIPPING Group

### i. Asset Lease Framework Agreement

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

Upon the consideration and approval of the Board, the original annual cap for the two years ending 31 December 2019 of continuing connected transactions under the Asset Lease Framework Agreement has been adjusted. Please refer to the announcement of the Company dated 19 March 2018 for details of the abovesaid annual cap adjustment.

### ii. General Goods and Services Framework Agreement I

On 5 June 2017, the Company entered into the General Goods and Services Framework Agreement I with COSCO SHIPPING Group, pursuant to which the Group shall provide COSCO SHIPPING Group and/or its subsidiaries and associates with a range of goods and services, primarily including: (i) provision of goods such as power, fuel oil, heat and other port ancillary services; and (ii) provision of stevedoring services, logistics services (including tugboating services) and other services. The agreement is valid for a term commencing from 22 May 2017 and ending on 31 December 2019. For details of the agreement, please refer to the announcement dated 5 June 2017, supplemental circular of the 2016 annual general meeting of the Company dated 13 June 2017 and the poll results of the 2016 annual general meeting dated 28 June 2017.

### iii. General Goods and Services Framework Agreement II

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

## (F) Continuing connected transactions with Qingdao OST

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



# DIRECTORS' REPORT

Annual caps and actual transaction amounts for the above continuing connected transactions of the Company for the year 2018 are as follows:

Unit: RMB'000

	Annual cap for 2018	Amount incurred in 2018
A. Continuing connected transactions with QDP		
i Asset Lease Framework Agreement	140,000	90,134.85
ii General Goods and Services Framework Agreement I	360,000	329,069.66
iii General Goods and Services Framework Agreement II	80,000	40,795.37
iv Comprehensive Financing Services Framework Agreement		
Daily maximum outstanding balance of finance lease services received by the Group from QDP	1,400,000	1,228,138.23
Rental expenses of finance lease services received by the Group from QDP	70,000	39,357.79
Daily maximum outstanding balance of commercial factoring services received by the Group from QDP	500,000	100,000.00
Interests expenses of commercial factoring services received by the Group from QDP	20,000	1,534.51
Expenses under the intermediary services of commercial factoring services received by the Group from QDP	5,000	—
Daily maximum outstanding balance of small loan services received by the Group from QDP	100,000	10,000.00
Interests expenses of small loan services received by the Group from QDP	5,000	31.11
B. Continuing connected transactions with Qingdao Finance		
i Daily maximum balance deposited by the Group in Qingdao Finance (including accrued interest and commission fee)	10,000,000	9,999,650.84
ii Daily maximum outstanding balance of the loans provided by Qingdao Finance to QDP and/or its associates (including accrued interest and commission fee)	2,000,000	1,977,097.63
C. Continuing connected transactions with Qingdao Financial Leasing		
Daily maximum outstanding balance of the Group due to Qingdao Financial Leasing	900,000	808,940.37
Expenses under financial leasing services (including rent and other expenses)	45,000	13,220.87
D. Continuing connected transactions with QDP Financial Holdings		
Daily maximum outstanding balance of the accounts receivable financing services of the Group due to QDP Financial Holdings	100,000	100,000.00
Interests on accounts receivable financing services	9,000	934.53
Income from other commercial factoring services	2,000	—
E. Continuing connected transactions with COSCO SHIPPING Group		
i Asset Lease Framework Agreement	45,000	26,575.93
ii General Goods and Services Framework Agreement I		
Including stevedoring services	300,000	284,697.91
logistics services	280,000	274,130.16
port ancillary services	10,000	9,955.67
Total	590,000	568,783.74
iii General Goods and Services Framework Agreement II	130,000	120,286.43
F. Continuing connected transactions with Qingdao OST		
General Goods and Services Framework Agreement III	57,800	24,313.40

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# DIRECTORS' REPORT

## (G) CONFIRMATION FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

## (H) CONFIRMATION FROM THE AUDITOR

The auditor of the Company has been engaged to report on the continuing connected transactions of the Company as set out on pages 72 to 75 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules. The Company has provided a copy of the auditor's assurance report to the Hong Kong Stock Exchange.

## (I) OTHERS

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

For certain material related party transactions disclosed in Note 9 to the financial statements which were also connected transactions under Chapter 14A of the Listing Rules of the Company, the Company had made disclosure as required under the Listing Rules.

## DESCRIPTION OF OTHER MATTERS

### 1. Business relocation

According to the municipal plan to transform and upgrade into a port for international cruise liners, the operations of Dagang Port Area will gradually be relocated to Dongjiakou Port Area and Qianwan Port Area. In 2018, the construction of the port for cruise liners had no effect on the operation of Dagang Branch.

The government of Qingdao Economic and Technological Development Zone is in the process of adopting a new urban planning scheme that may relocate our port operations in Huangdao Oil Port Area to Dongjiakou Port Area. As of the date of this report, we have not yet received any relocation plan or related notice and hence the operation of Huangdao Oil Port Area was not affected.

### 2. Litigations

Other than the No. 794 case which the Company was involved in as disclosed in the announcement of the Company published on 15 November 2018, the Group was not involved in any material litigation or arbitration for the year ended 31 December 2018.

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

## COMPLIANCE WITH LAWS AND REGULATIONS

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

## RELATIONSHIP WITH STAKEHOLDERS

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

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

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## DIRECTORS' REPORT

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

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

By order of the Board

**JIAO Guangjun**

*Vice Chairman*

Qingdao, China

28 March 2019

In 2018, the Supervisory Committee of the Company maintained the interests of the Company and its shareholders by actively undertaking its responsibilities and supervising the compliant operation and connected transactions (related party transactions) of the Company in accordance with laws, regulations and regulation requirements including the Company Law of the PRC, the Securities Law of the PRC, and rules including the Articles of Association, and the Procedural Rules of the Supervisory Committee, and the rights conferred by the general meeting of shareholders.

## I. MEETINGS HELD BY THE SUPERVISORY COMMITTEE

During the year, the Supervisory Committee held five on-site meetings, the details of which were as follows:

- (I) On 19 March 2018, the Supervisory Committee held the seventh meeting of the second session of the Supervisory Committee to consider and approve ten resolutions, including Resolution on the Annual Report for 2017 of Qingdao Port International Co., Ltd., Resolution on 2017 Sustainability Report of Qingdao Port International Co., Ltd., Resolution on the Audited Financial Statements of Qingdao Port International Co., Ltd. for the year of 2017, Resolution on the Work Report of the Supervisory Committee of Qingdao Port International Co., Ltd. for the year of 2017, Resolution on Internal Control Review Report as of 31 December 2017 of Qingdao Port International Co., Ltd., Resolution on the Nomination of Non-employee Representative Supervisor Candidates for the Second Session of the Supervisory Committee of Qingdao Port International Co., Ltd., Resolution on the Approval of the 2018 Remuneration Plan for Supervisors of Qingdao Port International Co., Ltd., Resolution on Conforming to the Conditions for Initial Public Offering and Listing of A Shares of Qingdao Port International Co., Ltd., Resolution on Status Report and Verification Report on the Use of Previously Raised Funds, and Resolution on Confirming of Audit Report from 1 January 2015 to 31 December 2017 of Qingdao Port International Co., Ltd.
- (II) On 18 May 2018, the Supervisory Committee held the ninth meeting of the second session of the Supervisory Committee to consider and approve three resolutions, including Resolution on the Profit Distribution Plan of Qingdao Port International Co., Ltd. for the year of 2017, Resolution on Extending the Validity Term of the Plan of Initial Public Offering of A Shares of Qingdao Port International Co., Ltd., and Resolution on the Nomination of Non-employee Representative Supervisor Candidates for the Second Session of the Supervisory Committee of Qingdao Port International Co., Ltd.
- (III) On 6 June 2018, the Supervisory Committee held the tenth meeting of the second session of the Supervisory Committee to consider and approve the Resolution on the Election of the Chairman of the Second Session of the Supervisory Committee of Qingdao Port International Co., Ltd.
- (IV) On 20 August 2018, the Supervisory Committee held the eleventh meeting of the second session of the Supervisory Committee to consider and approve six resolutions, including the Resolution on the 2018 Interim Report of Qingdao Port International Co., Ltd., Resolution on the 2018 Corporate Bond Interim Report of Qingdao Port International Co., Ltd., Resolution on Confirming of Audit Report from 1 January 2015 to 30 June 2018 of Qingdao Port International Co., Ltd., Resolution on Confirming of Related Party Transactions from 1 January 2015 to 30 June 2018 of Qingdao Port International Co., Ltd., Resolution on Internal Control Review Report as of 30 June 2018 of Qingdao Port International Co., Ltd., and Resolution on Status Report and Verification Report on the Use of Previously Raised Funds.
- (V) On 30 October 2018, the Supervisory Committee held the twelfth meeting of the second session of the Supervisory Committee to consider and approve two resolutions including Resolution on Results Announcement and Review Report of Qingdao Port International Co., Ltd. for the third quarter in 2018 and Resolution on Opening A Special Account for the the Proceeds Raised from the A Shares Issue.



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# SUPERVISORS' REPORT

## II INDEPENDENT ADVICE OF SUPERVISORY COMMITTEE ON RELEVANT ISSUES

### (I) Compliance Operation

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

### (II) The Inspection of Financial Conditions of the Company

The Supervisory Committee has been supervised the financial condition of the Company for the year of 2018 effectively and is of the view that the Company has a sound financial system, standardized management and a good financial condition. PricewaterhouseCoopers Zhong Tian LLP (special general partnership), the auditor of the Company, has audited the financial statements of the Company and issued an unqualified audit report. The Supervisory Committee has reviewed the periodic reports and believes that these reports have fairly and truly reflected the financial and operating conditions of the Company.

### (III) Use of Proceeds Raised from the Global Offering

During the reporting period, the use of all raised funds strictly complied with relevant regulations and disclosed application with standard procedures and without misusing the proceeds.

### (IV) Connected Transactions

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

### III OUTLOOK AND PROSPECT FOR 2019

In 2019, the Supervisory Committee of the Company will continue to seriously fulfill their responsibilities in accordance with relevant laws and regulations, normative documents, the Articles of Association, and the Procedural Rules of the Supervisory Committee to further enhance the Company's compliant operation.

The Supervisory Committee will continuously learn to expand its professional knowledge, enhance its business skills and supervisory ability, improve supervisory methods and strengthen supervision to earnestly protect the interests of the Company and its shareholders and promote the Company's sustainable and sound development.

By Order of the Supervisory Committee  
**ZHANG Qingcai**  
*Chairman of the Supervisory Committee*

Qingdao, China  
28 March 2019

# CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report for the annual report of the Company for the year ended 31 December 2018 (the “**Reporting Period**”).

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

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

## II. THE BOARD

### 1. Composition of the Board

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

Member of the Board	Position	Date of appointment
Mr. ZHENG Minghui (鄭明輝) (Note 1)	Chairman, executive Director	6 June 2016
Mr. CHENG Xinnong (成新農) (Note 2)	Vice Chairman, non-executive Director	6 June 2016
Mr. JIAO Guangjun (焦廣軍) (Note 3)	Vice Chairman, non-executive Director	26 April 2018/ 26 September 2018
Mr. ZHANG Wei (張為)	Non-executive Director	28 June 2017
Mr. ZHANG Jiangnan (張江南) (Note 4)	Executive Director, President	26 September 2018
Mr. MA Baoliang (馬寶亮) (Note 5)	Non-executive Director	6 June 2016
Mr. CHU Xiaozhong (褚效忠) (Note 6)	Non-executive Director	15 August 2018
Ms. JIANG Chunfeng (姜春鳳)	Executive Director, Vice President	6 June 2016
Mr. WANG Yaping (王亞平)	Independent non-executive Director	6 June 2016
Mr. CHAU Kwok Keung (鄒國強)	Independent non-executive Director	6 June 2016
Mr. YANG Qiulin (楊秋林)	Independent non-executive Director	6 June 2016

Note 1: Mr. ZHENG Minghui (鄭明輝) resigned as an executive Director and the chairman of the Board of the Company and other positions on 29 January 2019 due to his age.

Note 2: Mr. CHENG Xinnong (成新農) passed away on 19 April 2018 due to illness.

Note 3: Mr. JIAO Guangjun (焦廣軍) was appointed as the vice chairman of the Company on 26 April 2018, and was re-designated as a non-executive Director on 26 September 2018. Mr. JIAO Guangjun (焦廣軍) performs the duties of the chairman of the Board and the legal representative of the Company from 29 January 2019 until the election of the new chairman of the Board of the Company.

Note 4: Mr. ZHANG Jiangnan (張江南) was appointed as a non-executive Director of the Company on 6 June 2018, and was re-designated as an executive Director and president of the Company on 26 September 2018.

Note 5: Mr. MA Baoliang (馬寶亮) resigned as a non-executive Director (employee representative Director) of the Company and other positions on 15 August 2018 due to reaching the retirement age.

Note 6: Mr. CHU Xiaozhong (褚效忠) was appointed as a non-executive Director (employee representative Director) of the Company and other positions on 15 August 2018.

# CORPORATE GOVERNANCE REPORT

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

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

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

## **Chairman and President**

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

During the Reporting Period, the Chairman has held a meeting with the independent non-executive Directors without the presence of other Directors.

## **Responsibilities of the Board and Management**

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

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

# CORPORATE GOVERNANCE REPORT

## **Independent Non-executive Directors**

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

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

## **Securities Transactions by Directors and Supervisors**

The Company has adopted the Model Code as the code of conduct for the Directors and Supervisors to conduct securities transactions. After making specific enquiry to all Directors and Supervisors, all directors and supervisors confirmed that they have fully complied with the required standard set out in the Model Code during the period from 1 January 2018/their respective appointment dates to 31 December 2018.

## **Training and Continuous Professional Development of Directors**

On 6 June 2018, all Directors, Supervisors and senior management of the Company received trainings provided by Freshfields Bruckhaus Deringer, our Hong Kong legal adviser for Hong Kong law, and Beijing Jiayuan Law Firm, our PRC legal adviser for PRC law, in relation to the “the obligations of directors and senior management of H-Share listed companies, the latest amendments on rules of Hong Kong Stock Exchange, and the latest amendments on rules of Securities Futures Commission”, as well as “duty fulfillment requirements and relevant legal responsibilities of directors, supervisors and senior management of A-Share listed companies”.

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

The Directors (including Mr. ZHENG Minghui (鄭明輝), who resigned on 29 January 2019, Mr. JIAO Guangjun (焦廣軍), Mr. ZHANG Wei (張為), Mr. ZHANG Jiangnan (張江南), Mr. CHU Xiaozhong (褚效忠), Ms. JIANG Chunfeng (姜春鳳), Mr. WANG Yaping (王亞平), Mr. CHAU Kwok Keung (鄒國強) and Mr. YANG Qiulin (楊秋林)) get continuing professional development through participating in specific trainings, seminars, forums and reading publications on economy and securities to update their knowledge and technique, which will enable them to make continuous contributions to the Company with comprehensive knowledge and technique.

## **Liability Insurance of Directors, Supervisors and Members of Senior Management**

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

## **Directors’ Responsibility on Financial Statements**

The Directors are responsible for the preparation of the financial statements for the year ended 31 December 2018 that give a true and fair view of the affairs of the Company and the Group and the results and cash flow of the Group.



# CORPORATE GOVERNANCE REPORT

## 2. Board Meetings and General Meetings

During the year, the Company held five on-site Board meetings and convened two shareholders' general meetings in total. The attendance of the above meetings by each Director is as follows:

Name of Directors	No. of Board Meetings Attended During the Tenure	Attendance Rate	No. of Shareholders' General Meetings Attended During the Tenure	Attendance Rate
Mr. ZHENG Minghui (鄭明輝)	5/5	100%	2/2	100%
Mr. CHENG Xinnong (成新農) (Note 1)	1/1	100%	0/0	N/A
Mr. JIAO Guangjun (焦廣軍)	5/5	100%	2/2	100%
Mr. ZHANG Wei (張為) (Note 2)	3/5	60%	2/2	100%
Mr. ZHANG Jiangnan (張江南) (Note 3)	3/3	100%	1/1	100%
Mr. MA Baoliang (馬寶亮) (Note 4)	2/2	100%	1/1	100%
Mr. CHU Xiaozhong (褚效忠) (Note 5)	3/3	100%	1/1	100%
Ms. JIANG Chunfeng (姜春鳳)	5/5	100%	2/2	100%
Mr. WANG Yaping (王亞平)	5/5	100%	2/2	100%
Mr. CHAU Kwok Keung (鄒國強)	5/5	100%	2/2	100%
Mr. YANG Qiulin (楊秋林)	5/5	100%	2/2	100%

Note 1: Mr. CHENG Xinnong (成新農) passed away on 19 April 2018 due to illness. The Company held one on-site Board meeting and no shareholders' general meeting was held from 1 January 2018 to 19 April 2018.

Note 2: On 18 May 2018 and 30 October 2018, since Mr. ZHANG Wei (張為) could not attend the on-site Board meeting in person due to business arrangements, he appointed Mr. JIAO Guangjun (焦廣軍) to exercise his voting right in the Board meetings on his behalf.

Note 3: Mr. ZHANG Jiangnan (張江南) was appointed on 6 June 2018. The Company held three on-site Board meetings and one shareholders' general meeting from the date of his appointment up to 31 December 2018.

Note 4: Mr. MA Baoliang (馬寶亮) resigned on 15 August 2018. The Company held two on-site Board meetings and one shareholders' general meeting from 1 January 2018 to the date of his resignation.

Note 5: Mr. CHU Xiaozhong (褚效忠) was appointed on 15 August 2018. The Company held three on-site Board meetings and one shareholders' general meeting from the date of his appointment up to 31 December 2018.

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

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

# CORPORATE GOVERNANCE REPORT

## II. SPECIAL COMMITTEES OF BOARD

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

### 1. Strategy and Development Committee

The Strategy and Development Committee currently consists of six Directors, namely Mr. JIAO Guangjun (焦廣軍), Mr. ZHANG Wei (張為), Mr. ZHANG Jiangnan (張江南), Mr. CHU Xiaozhong (褚效忠), Ms. JIANG Chunfeng (姜春鳳) and Mr. WANG Yaping (王亞平).

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

During the Reporting Period, the Strategy and Development Committee held three on-site meetings, in which resolutions regarding the general mandate to issue shares and initial public offering and listing of A shares were considered and approved and recommendations were made to the Board.

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

Name of Members	No. of Meetings Attended During the Tenure	Attendance Rate
Mr. ZHENG Minghui (鄭明輝) (Note 1)	3/3	100%
Mr. CHENG Xinnong (成新農) (Note 2)	1/1	100%
Mr. JIAO Guangjun (焦廣軍)	3/3	100%
Mr. ZHANG Wei (張為) (Note 3)	2/3	67%
Mr. ZHANG Jiangnan (張江南) (Note 4)	1/1	100%
Mr. MA Baoliang (馬寶亮) (Note 5)	2/2	100%
Mr. CHU Xiaozhong (褚效忠) (Note 6)	1/1	100%
Ms. JIANG Chunfeng (姜春鳳)	3/3	100%
Mr. WANG Yaping (王亞平)	3/3	100%

Note 1: Due to his age, Mr. ZHENG Minghui (鄭明輝) resigned as an executive director of the Company, the chairman of the Board, the chairman of the Strategy and Development Committee of the Board, and the member of the Nomination Committee of the Board on 29 January 2019. Mr. JIAO Guangjun, the vice chairman of the Board, performs the duties of the chairman of the Strategy and Development Committee from 29 January 2019 until the election of the new chairman of the Board.

Note 2: Mr. CHENG Xinnong (成新農) passed away on 19 April 2018 due to illness. The Company held one on-site meeting of the Strategy and Development Committee of the Board from 1 January 2018 to 19 April 2018.

Note 3: On 18 May 2018, since Mr. ZHANG Wei (張為) could not attend the on-site meeting of the Strategy and Development Committee of the Board in person due to business arrangements, he appointed Mr. JIAO Guangjun (焦廣軍) to exercise his voting right in the on-site meeting of the Strategy and Development Committee of the Board on his behalf.

Note 4: Mr. ZHANG Jiangnan (張江南) was appointed on 6 June 2018. The Company held one on-site meeting of the Strategy and Development Committee of the Board from the date of his appointment up to 31 December 2018.

Note 5: Mr. MA Baoliang (馬寶亮) resigned on 15 August 2018. The Company held two on-site meetings of the Strategy and Development Committee of the Board from 1 January 2018 to the date of his resignation.

Note 6: Mr. CHU Xiaozhong (褚效忠) was appointed on 15 August 2018. The Company held one on-site meeting of the Strategy and Development Committee of the Board from the date of his appointment up to 31 December 2018.

## 2. Audit Committee

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

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

During the Reporting Period, the Audit Committee held four on-site meetings, in which the Company's annual results announcement, annual report, corporate bonds annual report and audited financial statements for 2017, the Company's interim results announcement and interim report and corporate bonds interim report for 2018, initial public offering and listing of A shares, appointing the accounting firm of the Company for 2018 and determining its remuneration were approved and recommendations were made to the Board. In addition, the Audit Committee discussed with the external auditors in respect of the Company's audit result for 2017 and annual audit plan for 2018, and heard the internal auditing report made by the head of internal auditing department.

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

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

Note 1: Mr. MA Baoliang (馬寶亮) resigned on 15 August 2018. The Company held two on-site meetings of the Audit Committee of the Board from 1 January 2018 to the date of his resignation.

Note 2: Mr. CHU Xiaozhong (褚效忠) was appointed on 15 August 2018. The Company held two on-site meetings of the Audit Committee of the Board from the date of his appointment up to 31 December 2018.

Representatives of the external auditors attended all the Audit Committee on-site meetings held in 2018.

# CORPORATE GOVERNANCE REPORT

## 3. Remuneration Committee

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

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

During the Reporting Period, the Remuneration Committee held two on-site meetings, in which the remuneration plan of the Directors and senior management for 2018 and the management measures of remuneration of the senior management were considered and approved.

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

Name of Members	No. of Meetings Attended During the Tenure	Attendance Rate
Mr. WANG Yaping (王亞平) (Chairman)	2/2	100%
Mr. JIAO Guangjun (焦廣軍) (Note 1)	1/1	100%
Mr. YANG Qiulin (楊秋林)	2/2	100%
Mr. CHENG Xinnong (成新農) (Note 2)	1/1	100%

Note 1: Mr. JIAO Guangjun (焦廣軍) was appointed on 26 April 2018. The Company held one on-site meeting of the Remuneration Committee of the Board from the date of his appointment up to 31 December 2018.

Note 2: Mr. CHENG Xinnong (成新農) passed away on 19 April 2018 due to illness. The Company held one on-site meeting of the Remuneration Committee of the Board from 1 January 2018 up to 19 April 2018.

Pursuant to the code B.1.5 of the Corporate Governance Code under in Appendix 14 of the Listing Rules, the following table sets forth the remuneration of the Directors, Supervisors and members of senior management categorized by remuneration group for the year ended 31 December 2018:

Group (Note)	Remuneration (RMB)	Number of Individuals
1	0-500,000	17
2	500,000-1,000,000	3
3	1,000,000-2,000,000	4

Note:

Group 1 includes eight Directors and nine Supervisors of the Company.

Group 2 includes one Director, one Supervisor and one senior management of the Company.

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

Further details of the Directors' emoluments and the top five highest paid employees required to be disclosed under Appendix 16 of the Listing Rules are set out in Note 9 (5) and Note 9 (9) to the financial statements for the year.

## 4. Nomination Committee

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

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

During the Reporting Period, the Nomination Committee held three on-site meetings, in which the nomination of Mr. WANG Xinze (王新澤) as the vice president of the Company, the nomination of Mr. ZHANG Jiangnan (張江南) as the non-executive Director candidate for the second session of the Board of the Company, and nomination of Mr. ZHANG Jiangnan (張江南) as the president of the Company were considered and approved and recommendations was made to the Board.

The attendance of the on-site meetings by each member is as follow:

Name of Members	No. of Meetings Attended During the Tenure	Attendance Rate
Mr. WANG Yaping (王亞平) (Chairman)	3/3	100%
Mr. ZHENG Minghui (鄭明輝) (Note 1)	3/3	100%
Mr. YANG Qiulin (楊秋林)	3/3	100%
Mr. JIAO Guangjun (焦廣軍) (Note 2)	0/0	N/A

Note 1: Mr. ZHENG Minghui (鄭明輝) resigned on 29 January 2019. The Company held three on-site meetings of the Nomination Committee of the Board from 1 January 2018 to 31 December 2018.

Note 2: Mr. JIAO Guangjun (焦廣軍) was appointed on 29 January 2019.

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

The Board formulated and adopted the Policy for the Nomination of Directors of the Company. According to such policy, in evaluating and selecting candidates for directorship, the Nomination Committee and/or the Board would consider the following criteria, including, among other things, character and integrity, qualifications (cultural and educational background, professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy), any potential contributions the candidates can make to the Board in terms of qualifications, skills, experience, independence, as well as their willingness and ability to devote adequate time to discharge duties as members of the Board and/or Board committee(s).



# CORPORATE GOVERNANCE REPORT

The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of a new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified to assume the directorship. The Nomination Committee should then recommend to the Board to appoint appropriate candidates for the directorship in the order of their ranking (if applicable) based on the needs of the Company and reference check of each candidate.

Qualified shareholders meeting requirements under laws and regulations and the Articles of Association of the Company are also eligible to nominate candidate(s) for directorship (see Procedures for Shareholders to Propose a Person for Election as a Director for more details).

## III. SUPERVISORY COMMITTEE

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

Member of the Supervisory Committee	Position	Date of appointment
Mr. FU Xinmin (付新民) (Note 1)	Chairman of the Supervisory Committee, shareholder representative Supervisor	6 June 2016
Mr. CHI Dianmou (遲殿謀) (Note 2)	Shareholder representative Supervisor	6 June 2016
Mr. ZHANG Qingcai (張慶財) (Note 3)	Chairman of the Supervisory Committee, shareholder representative Supervisor	6 June 2018
Mr. LI Wucheng (李武成) (Note 4)	Shareholder representative Supervisor	6 June 2018
Ms. XUE Qingxia (薛清霞) (Note 5)	Employee representative Supervisor	6 June 2016
Ms. LIU Yuping (劉玉萍) (Note 6)	Employee representative Supervisor	6 June 2016
Mr. LI Xuxiu (李旭修)	Independent Supervisor	6 June 2016
Mr. LIU Dengqing (劉登清)	Independent Supervisor	6 June 2016
Mr. LIU Shuiguo (劉水國) (Note 7)	Employee representative Supervisor	15 August 2018
Ms. WANG Xiaoyan (王曉燕) (Note 8)	Employee representative Supervisor	15 August 2018

Note 1: Mr. FU Xinmin (付新民) resigned as the chairman of the supervisory committee and supervisor of the Company on 6 June 2018 due to retirement.

Note 2: Mr. CHI Dianmou (遲殿謀) resigned as the supervisor of the Company on 6 June 2018 due to retirement.

Note 3: Mr. ZHANG Qingcai (張慶財) was appointed as the chairman of the supervisory committee and supervisor of the Company on 6 June 2018.

Note 4: Mr. LI Wucheng (李武成) was appointed as the supervisor of the Company on 6 June 2018.

Note 5: Ms. XUE Qingxia (薛清霞) resigned as the employee representative supervisor of the Company on 15 August 2018 due to reaching of retirement age.

Note 6: Ms. LIU Yuping (劉玉萍) resigned as the employee representative supervisor of the Company on 15 August 2018 due to changes in work arrangements.

Note 7: Mr. LIU Shuiguo (劉水國) was appointed as the employee representative supervisor of the Company on 15 August 2018.

Note 8: Ms. WANG Xiaoyan (王曉燕) was appointed as the employee representative supervisor of the Company on 15 August 2018.

# CORPORATE GOVERNANCE REPORT

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

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

During the Reporting Period, the supervisory committee held five on-site meetings and attended two shareholders’ general meetings in total. The attendance of the meetings by each Supervisor is as follows:

Name of Supervisors	No. of Meetings of the Supervisory Committee Attended During the Tenure	Attendance Rate	No. of Shareholders’ General Meeting (s) Attended During the Tenure	Attendance Rate
Mr. FU Xinmin (付新民) (Note 1)	2/2	100%	1/1	100%
Mr. CHI Dianmou (遲殿謀) (Note 2)	2/2	100%	1/1	100%
Mr. ZHANG Qingcai (張慶財) (Chairman) (Note 3)	3/3	100%	1/1	100%
Mr. LI Wucheng (李武成) (Note 4)	3/3	100%	1/1	100%
Ms. XUE Qingxia (薛清霞) (Note 5)	3/3	100%	1/1	100%
Ms. LIU Yuping (劉玉萍) (Note 6)	3/3	100%	1/1	100%
Mr. LI Xuxiu (李旭修)	5/5	100%	2/2	100%
Mr. LIU Dengqing (劉登清)	5/5	100%	2/2	100%
Mr. LIU Shuiguo (劉水國) (Note 7)	2/2	100%	1/1	100%
Ms. WANG Xiaoyan (王曉燕) (Note 8)	2/2	100%	1/1	100%

Note 1: Mr. FU Xinmin (付新民) resigned on 6 June 2018. The Company held two on-site Supervisory Committee meetings and one shareholders’ general meeting from 1 January 2018 to the date of his resignation.

Note 2: Mr. CHI Dianmou (遲殿謀) resigned on 6 June 2018. The Company held two on-site Supervisory Committee meetings and one shareholders’ general meeting from 1 January 2018 to the date of his resignation.

Note 3: Mr. ZHANG Qingcai (張慶財) was appointed on 6 June 2018. The Company held three on-site Supervisory Committee meetings and one shareholders’ general meeting from the date of his appointment up to 31 December 2018.

Note 4: Mr. LI Wucheng (李武成) was appointed on 6 June 2018. The Company held three on-site Supervisory Committee meetings and one shareholders’ general meeting from the date of his appointment up to 31 December 2018.

Note 5: Ms. XUE Qingxia (薛清霞) resigned on 15 August 2018. The Company held three on-site Supervisory Committee meetings and one shareholders’ general meeting from 1 January 2018 to the date of her resignation.

Note 6: Ms. LIU Yuping (劉玉萍) resigned on 15 August 2018. The Company held three on-site Supervisory Committee meetings and one shareholders’ general meeting from 1 January 2018 to the date of her resignation.

Note 7: Mr. LIU Shuiguo (劉水國) was appointed on 15 August 2018. The Company held two on-site Supervisory Committee meetings and one shareholders’ general meeting from the date of his appointment up to 31 December 2018.

Note 8: Ms. WANG Xiaoyan (王曉燕) was appointed on 15 August 2018. The Company held two on-site Supervisory Committee meetings and one shareholders’ general meeting from the date of her appointment up to 31 December 2018.

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

# CORPORATE GOVERNANCE REPORT

## IV. CORPORATE GOVERNANCE FUNCTION

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

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

## V. COMPANY SECRETARY

During the Reporting Period, Ms. LAI Siu Kuen, one of the joint company secretaries of the Company, resigned as the joint company secretary on 15 August 2018. Mr. CHEN Fuxiang has acted as the sole company secretary of the Company since 15 August 2018. Mr. Chen had complied with the requirements on taking no less than 15 hours of relevant professional training as set out in Rule 3.29 of the Listing Rules. Meanwhile, Mr. CHEN also actively participated in studies and updated his professional knowledge related to the Listing Rules and corporate governance to continuously improve his professional skills as the Company Secretary.

## VI. AUDITOR

Financial statements contained in this report have been audited by PricewaterhouseCoopers Zhong Tian LLP (special general partnership). Service fees which shall be paid by the Company to PricewaterhouseCoopers Zhong Tian LLP for the year amounted to RMB7.16 million (value added tax and other related tax included). The non-audit services primarily comprise scrutineer services.

Services rendered	Fees Payable (RMB)
Audit service for listed company	4,850,000
Other audit services of the Group	2,290,000
Non-audit services	20,000
	7,160,000

## VII. RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

### 1. Compliance Control

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

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

# CORPORATE GOVERNANCE REPORT

## 2. Operation Control

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

## 3. Investment Control

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

## 4. Finance Control

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

## 5. Internal Audit Control

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

In 2018, the Company conducted an annual evaluation of its risk management and internal control system. The method, findings, analysis and results of the evaluation have been reported to the audit committee and the Board. The Board discussed and considered the risk management and internal control system (including financial, operational and compliance control etc.) of the Company and its subsidiaries and was of the opinion that the risk management and internal control system of the Company was adequate and effective. The Board was of the opinion that the risk management and internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.



## VIII. INVESTOR RELATIONS

### 1. General Meetings and Shareholder's Rights

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

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

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

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

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

In the annual general meeting of the Company held on 6 June 2018, the chairman of the meeting demanded that all resolutions to be passed by poll and had explained the procedures for voting at the meeting. At the meeting, the resolutions regarding initial public offering of A shares, the annual report for 2017, tentatively no distribution of the Final Dividend for the year 2017 and the distribution of cash dividends to the new and old Shareholders after the completion of the Proposed A Share Offering with an amount of 50% of the distributable profit for the year 2017, the amendments to the Articles of Association and election of Directors and Supervisors were considered and approved. For details, please refer to the announcement of the Company on the poll results dated 6 June 2018.

In the shareholders' first extraordinary general meeting of 2018 the Company held on 26 September 2018, the chairman of the meeting demanded that all resolutions to be passed by poll and had explained the procedures for voting at the meeting. At the meeting, the resolutions regarding the amendments to the Articles of Association and the continuing connected transaction framework agreements and the annual caps were considered and approved. For details, please refer to the announcement of the Company on the poll results dated 26 September 2018.

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# CORPORATE GOVERNANCE REPORT

## 2. Amendments of Constitutional Document

The amendments to the Articles of Association and the Articles of Association which will take effect upon the A shares offering of the Company were approved at the 2017 annual general meeting of the Company held on 6 June 2018 and the 2018 first extraordinary general meeting of the Company held on 26 September 2018, respectively. The amended Articles of Association has taken effect upon the approval at the aforementioned meetings, and the amended Articles of Association which should have taken effect upon the A shares offering of the Company has taken effect since 21 January 2019, i.e. the listing date of A shares of the Company. The current applicable Articles of Association has been published on the websites of the Company and the Hong Kong Stock Exchange.

## 3. Information Disclosure

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

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

## 4. Investor Relations Management

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

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

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

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# CORPORATE GOVERNANCE REPORT

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

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

Office of the Board

Tel: 86-532-82982011

E-mail: qggj@qdport.com

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

# AUDITOR'S REPORT



普华永道

PwC ZT Shen Zi (2019) No. 15011

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

## OPINION

### What we have audited

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

- the consolidated and company balance sheets as at 31 December 2018;
- the consolidated and company income statements for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the consolidated and company statements of changes in shareholders' equity for the year then ended; and
- notes to the financial statements.

### Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of Qingdao Port International as at 31 December 2018, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises (“CASS”).

### BASIS FOR OPINION

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

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

普华永道中天会计师事务所(特殊普通合伙)  
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## KEY AUDIT MATTERS

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

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

- Provision for early retirement benefits and supplemental retirement benefits obligations
- Estimates on the bad debt provision for accounts receivable

### Key Audit Matter

Provision for early retirement benefits and supplemental retirement benefits obligations

As stated in Note 2 “Significant accounting policies and accounting estimates” (20) (b) (c), (31) (a) (iii) and Note 4(31), Qingdao Port International has provided early retirement benefits to employees who have accepted voluntary redundancy and has also provided supplemental retirement benefits to its employees. As at 31 December 2018, Qingdao Port International has recognised liabilities in connection with the provisions for early retirement benefits and supplemental retirement benefits of approximately RMB85.93 million and RMB2,540.22 million, respectively.

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

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

### How our audit addressed the Key Audit Matter

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

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

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

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

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



# AUDITOR'S REPORT

## KEY AUDIT MATTERS (Continued)

### Key Audit Matter

Estimates on the bad debt provision for accounts receivable

As stated in Note 2 “Significant accounting policies and accounting estimates” (9) 、(10) 、(30) (b) 、(31) (a) (iv) and Note 4(3) (b), management will periodically re-evaluate the reasonableness of bad debts of accounts receivable.

The gross carrying amount of accounts receivable amounted to RMB2,197.64 million and a provision for impairment of RMB129.11 million has been recognised as of the 31 December 2018.

When determining the proportion of bad debts, the management calculates Expected Credit Loss (“ECL”) according to exposure at default and ECL rate, and determines ECL rate based on probability of default and loss given default. When determining ECL rate, the management adopts data like historical credit loss experience in combination with current situation and forward-looking information to adjust historical data. When considering the historical credit loss experience, the management takes into account various factors like the debtors’ financial position, historical recovery and the aging of accounts receivables. When considering forward-looking information, the management uses indicators including the risk of economic downturn, the expected increase of unemployment rate, external market environment, technology environment and changes on customer situation.

### How our audit addressed the Key Audit Matter

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

We evaluated the reasonableness of bad debt provision accounting estimates for accounts receivable, including the basis for separate provision for bad debts, the determination of receivables on the grouping basis with similar credit risk characteristics, the management’s analysis of the ageing of accounts receivable, the historical credit loss rate and the management’s analysis of ECL rate when considering the current situation, and forward-looking information. We compared the method, proportion and other available information on bad debts of accounts receivable with other listed port operating companies in China and we also evaluated the sufficiency of its disclosure in the financial statement.

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

We interviewed management and obtained management’s explanations on the recoverability of the related accounts receivable balances. We assessed and verified the management’s explanations on the recoverability of the related significant accounts receivable balances by performing the following procedures:

- Checked the historical repayment records on sample basis;
- Checked the status of subsequent recoverability of accounts receivable on sample basis;
- Interviewed major debtors on sample basis to understand their business relationships with Qingdao Port International, the status of their settlements and their current financial position;

## KEY AUDIT MATTERS (Continued)

### Key Audit Matter

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

### How our audit addressed the Key Audit Matter

- Regarding those debtors with relatively large receivable balances or with delays in their settlements, we searched the website of the court on sample basis to understand whether there is any significant litigation or bankruptcy information publicly published which have implications on the financial positions of the related debtors.

We obtained economic and industry analysis information and evaluate the reasonableness of the information used by the management when analysing forward-looking information, such as the risk of economic downturn, the expected unemployment rate and changes on external market environment and technology environment.

We recalculated the bad debt provision amount.

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

## OTHER INFORMATION

Management of the Qingdao Port International is responsible for the other information. The other information comprises all of the information included in 2018 annual report of Qingdao Port International other than the financial statements and our auditor's report thereon.

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

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

# AUDITOR'S REPORT

## RESPONSIBILITIES OF MANAGEMENT AND THE AUDIT COMMITTEE FOR THE FINANCIAL STATEMENTS

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

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

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Qingdao Port International's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Qingdao Port International's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Qingdao Port International to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Qingdao Port International to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

PricewaterhouseCoopers Zhong Tian LLP

Signing CPA  
Li Xuemei (Engagement Partner)

Shanghai, the People's Republic of China 28 March 2019

Signing CPA  
Hu Xianxia

# CONSOLIDATED BALANCE SHEET

As at 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note 4	31 December 2018	31 December 2017	1 January 2017
<b>Current assets</b>				
Cash at bank and on hand	(1)	8,077,972,498	11,705,176,363	8,100,294,431
Financial asset held for trading	(2)	875,000,000	—	—
Notes receivable and accounts receivable	(3)	2,804,130,403	2,465,175,867	1,973,030,863
Advances to suppliers	(4)	81,694,054	79,591,581	59,043,938
Other receivables	(5)	1,782,762,150	1,064,094,089	988,940,673
Inventories	(6)	174,723,066	525,393,278	482,195,054
Contract assets	(7)	280,972,522	—	—
Current portion of non-current assets	(10), (19)	385,744,736	330,646,872	313,729,688
Other current assets	(8)	3,903,247,154	1,036,159,101	1,197,414,942
<b>Total current assets</b>		<b>18,366,246,583</b>	<b>17,206,237,151</b>	<b>13,114,649,589</b>
<b>Non-current assets</b>				
Available-for-sale financial assets	(9)	—	183,565,665	92,207,877
Long term receivables	(10)	1,606,080,481	4,395,674,475	3,484,533,992
Long-term equity investments	(11)	8,825,256,813	8,538,241,729	5,139,039,800
Other non-current financial assets	(12)	268,580,567	—	—
Investment properties	(13)	188,836,576	193,296,445	117,843,468
Fixed assets	(14)	14,040,859,577	13,034,655,703	11,684,982,980
Construction in progress	(15)	2,097,812,840	2,163,986,568	2,338,968,773
Intangible assets	(16)	2,069,854,074	922,024,156	931,416,765
Goodwill		25,373,323	20,686,493	18,836,008
Long-term prepaid expenses		26,894,955	24,247,437	14,874,061
Deferred tax assets	(18)	908,858,376	896,767,023	872,096,260
Other non-current assets	(19)	341,128,768	474,269,567	473,124,633
<b>Total non-current assets</b>		<b>30,399,536,350</b>	<b>30,847,415,261</b>	<b>25,167,924,617</b>
<b>TOTAL ASSETS</b>		<b>48,765,782,933</b>	<b>48,053,652,412</b>	<b>38,282,574,206</b>



# CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note 4	31 December 2018	31 December 2017	1 January 2017
<b>Current liabilities</b>				
Short-term borrowings	(20)	166,712,204	56,685,445	262,947,290
Notes payable and accounts payable	(21)	2,538,632,195	2,399,789,522	1,943,456,195
Advances from customers	(22)	209,454,071	338,116,515	334,125,905
Contract liabilities	(23)	134,964,090	—	—
Employee benefits payable	(24)	251,347,940	224,390,581	227,056,983
Taxes payable	(25)	209,314,607	206,127,308	153,220,569
Other payables	(26)	5,954,949,541	9,877,014,466	9,994,985,202
Current portion of non-current liabilities	(27),(28),(29)	3,595,928,706	38,185,563	24,137,717
<b>Total current liabilities</b>		<b>13,061,303,354</b>	<b>13,140,309,400</b>	<b>12,939,929,861</b>
<b>Non-current liabilities</b>				
Long-term borrowings	(27)	160,792,988	188,172,988	137,390,687
Bonds payable	(28)	—	3,500,000,000	3,500,000,000
Long-term payables	(29)	530,779,311	581,670,617	58,101,909
Provisions		5,718,045	2,024,113	2,283,097
Deferred income	(30)	205,830,431	139,299,471	145,259,921
Long-term employee benefits payable	(31)	2,497,630,000	2,357,290,000	2,731,450,000
Other non-current liabilities	(32)	2,884,204,561	3,082,229,433	3,285,600,108
<b>Total non-current liabilities</b>		<b>6,284,955,336</b>	<b>9,850,686,622</b>	<b>9,860,085,722</b>
<b>Total liabilities</b>		<b>19,346,258,690</b>	<b>22,990,996,022</b>	<b>22,800,015,583</b>
<b>Shareholders' equity</b>				
Share capital	(33)	6,036,724,000	6,036,724,000	4,778,204,000
Capital surplus	(34)	10,777,968,793	10,770,800,519	5,321,635,366
Other comprehensive income	(35)	133,694,188	283,865,500	(63,024,800)
Specific reserve		3,399,949	11,946,732	2,991,631
Surplus reserve	(36)	986,974,314	673,990,310	429,859,457
General risk reserve	(37)	298,283,806	226,359,871	134,121,910
Undistributed profits	(38)	8,742,614,209	5,550,975,839	3,631,936,223
<b>Total equity attributable to shareholders of the Company</b>		<b>26,979,659,259</b>	<b>23,554,662,771</b>	<b>14,235,723,787</b>
<b>Minority interests</b>		<b>2,439,864,984</b>	<b>1,507,993,619</b>	<b>1,246,834,836</b>
<b>Total Shareholders' equity</b>		<b>29,419,524,243</b>	<b>25,062,656,390</b>	<b>15,482,558,623</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>48,765,782,933</b>	<b>48,053,652,412</b>	<b>38,282,574,206</b>

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

# COMPANY BALANCE SHEET

As at 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

<b>ASSETS</b>	<b>Note 18</b>	<b>31 December 2018</b>	31 December 2017	1 January 2017
<b>Current assets</b>				
Cash at bank and on hand		<b>8,444,554,600</b>	4,699,877,447	2,253,873,559
Notes receivable and accounts receivable	(1)	<b>1,084,356,056</b>	1,164,340,211	1,070,450,546
Advances to suppliers		<b>9,103,345</b>	8,479,077	6,375,257
Other receivables	(2)	<b>126,080,867</b>	473,601,202	887,518,924
Inventories		<b>98,846,642</b>	165,598,525	370,639,286
Contract assets		<b>124,030,811</b>	—	—
Current portion of non-current assets		<b>921,632,329</b>	11,806,865	11,613,049
Other current assets		<b>19,905,966</b>	321,590,281	51,518,077
<b>Total current assets</b>		<b>10,828,510,616</b>	6,845,293,608	4,651,988,698
<b>Non-current assets</b>				
Available-for-sale financial assets		—	71,421,487	71,421,487
Long term receivables	(3)	<b>1,901,808,894</b>	4,280,125,000	2,995,000,000
Long-term equity investments	(4)	<b>13,353,136,972</b>	12,768,800,585	9,210,761,362
Other non-current financial assets		<b>71,421,487</b>	—	—
Investment properties	(5)	<b>1,343,775,935</b>	671,499,479	573,468,864
Fixed assets	(6)	<b>8,125,917,130</b>	8,244,155,732	8,757,681,495
Construction in progress	(7)	<b>1,216,355,400</b>	1,074,161,974	1,038,519,224
Intangible assets	(8)	<b>2,160,102,681</b>	2,205,498,287	2,313,610,734
Long-term prepaid expenses		<b>7,047,125</b>	9,188,607	7,764,816
Deferred tax assets		<b>37,483,036</b>	67,060,993	64,089,545
Other non-current assets		<b>164,722,808</b>	239,931,669	216,444,105
<b>Total non-current assets</b>		<b>28,381,771,468</b>	29,631,843,813	25,248,761,632
<b>TOTAL ASSETS</b>		<b>39,210,282,084</b>	36,477,137,421	29,900,750,330

# COMPANY BALANCE SHEET (CONTINUED)

As at 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note 18	31 December 2018	31 December 2017	1 January 2017
<b>Current liabilities</b>				
Short-term borrowings		159,000,000	315,000,000	408,760,938
Notes payable and accounts payable		785,804,594	787,549,071	1,060,491,518
Advances from customers		205,757,187	251,930,898	259,356,101
Contract liabilities		62,705,460	—	—
Employee benefits payable		192,317,443	183,862,520	197,049,152
Taxes payable		63,650,616	80,425,639	28,061,465
Other payables		543,085,697	512,451,143	1,792,045,464
Current portion of non-current liabilities		3,525,843,957	1,500,480	—
<b>Total current liabilities</b>		<b>5,538,164,954</b>	<b>2,132,719,751</b>	<b>3,745,764,638</b>
<b>Non-current liabilities</b>				
Bonds payable		—	3,500,000,000	3,500,000,000
Long-term payables		136,212,372	112,611,705	52,016,078
Provisions		5,718,045	2,024,113	2,283,097
Deferred income		136,336,251	135,275,920	139,190,364
Long-term employee benefits payable		2,162,150,000	2,155,560,000	2,524,620,000
Other non-current liabilities		2,884,200,855	3,082,229,433	3,285,600,108
<b>Total non-current liabilities</b>		<b>5,324,617,523</b>	<b>8,987,701,171</b>	<b>9,503,709,647</b>
<b>Total liabilities</b>		<b>10,862,782,477</b>	<b>11,120,420,922</b>	<b>13,249,474,285</b>
<b>Shareholders' equity</b>				
Share capital		6,036,724,000	6,036,724,000	4,778,204,000
Capital surplus	(10)	14,706,766,468	14,699,598,194	9,250,433,041
Other comprehensive income	(20)	137,710,000	270,820,000	(65,200,000)
Specific reserve		—	7,977,788	—
Surplus reserve		986,974,314	673,990,310	429,859,457
Undistributed profits	(11)	6,479,324,825	3,667,606,207	2,257,979,547
<b>Total shareholders' equity</b>		<b>28,347,499,607</b>	<b>25,356,716,499</b>	<b>16,651,276,045</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>39,210,282,084</b>	<b>36,477,137,421</b>	<b>29,900,750,330</b>

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 4	For the year ended 31 December 2018	For the year ended 31 December 2017
<b>1. Revenue</b>	(39)	<b>11,741,480,164</b>	10,146,225,042
Less: Cost of sales	(39), (43)	<b>(8,115,501,991)</b>	(6,816,103,303)
Taxes and surcharges	(40)	<b>(117,696,655)</b>	(106,069,942)
Selling and distribution expenses	(43)	<b>(21,041,094)</b>	(16,114,135)
General and administrative expenses	(41), (43)	<b>(481,562,940)</b>	(486,386,052)
Research and development expenses	(16), (43)	<b>(39,728,196)</b>	(19,704,505)
Financial expenses	(42)	<b>179,832,185</b>	59,833,393
Including: Interest expenses		<b>203,665,028</b>	216,482,217
Interest income		<b>423,674,785</b>	420,097,607
Asset impairment losses	(44)	—	(139,282,045)
Credit impairment losses	(45)	<b>43,063,759</b>	—
Add: Other income	(46)	<b>34,166,601</b>	48,074,607
Investment income	(47)	<b>1,455,440,858</b>	1,260,686,952
Including: Investment income from associates and joint ventures		<b>1,287,921,477</b>	1,116,550,382
Gains on changes in fair value		<b>5,014,902</b>	—
Gains on disposal of assets	(48)	<b>40,545,867</b>	29,758,720
<b>2. Operating profit</b>		<b>4,724,013,460</b>	3,960,918,732
Add: Non-operating income	(49)	<b>43,074,891</b>	31,188,570
Less: Non-operating expenses		<b>(10,597,986)</b>	(1,317,482)
<b>3. Total profit</b>		<b>4,756,490,365</b>	3,990,789,820
Less: Income tax expenses	(50)	<b>(912,964,017)</b>	(750,427,234)
<b>4. Net profit</b>		<b>3,843,526,348</b>	3,240,362,586
Classified by continuity of operations			
Net profit from continuing operations		<b>3,843,526,348</b>	3,240,362,586
Net profit from discontinued operations		—	—
Classified by ownership of the equity			
Minority interests		<b>250,040,717</b>	197,403,143
Attributable to shareholders of the Company		<b>3,593,485,631</b>	3,042,959,443

# CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

Item	Note 4	For the year ended 31 December 2018	For the year ended 31 December 2017
<b>5. Other comprehensive income, net of tax</b>	(35)	<b>(145,620,731)</b>	347,410,000
Attributable to shareholders of the Company, net of tax			
Other comprehensive income items which will not be subsequently reclassified to profit or loss			
Changes in remeasurement of defined benefit plan obligations		<b>(162,847,800)</b>	346,890,300
Other comprehensive income items which will be subsequently reclassified to profit or loss			
Changes in fair value of other debt investments		<b>12,676,488</b>	—
Attributable to minority shareholders, net of tax		<b>4,550,581</b>	519,700
<b>6. Total comprehensive income</b>		<b>3,697,905,617</b>	3,587,772,586
Attributable to shareholders of the Company		<b>3,443,314,319</b>	3,389,849,743
Attributable to minority interests		<b>254,591,298</b>	197,922,843
<b>7. Earnings per share</b>			
Basic earnings per share	(51) (a)	<b>0.60</b>	0.55
Diluted earnings per share	(51) (b)	<b>0.60</b>	0.55

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

# COMPANY INCOME STATEMENT

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 18	For the year ended 31 December 2018	For the year ended 31 December 2017
<b>1. Revenue</b>	(12)	<b>5,760,752,943</b>	5,507,549,447
Less: Cost of sales	(12), (15)	<b>(4,165,218,318)</b>	(3,975,224,128)
Taxes and surcharges		<b>(84,690,382)</b>	(88,009,794)
Selling and distribution expenses	(15)	<b>(19,414,467)</b>	(15,361,752)
General and administrative expenses	(13), (15)	<b>(286,064,407)</b>	(316,818,515)
Research and development expenses	(7), (15)	<b>(14,968,090)</b>	(3,540,600)
Financial expenses	(14)	<b>(64,664,467)</b>	(218,232,580)
Including: Interest expenses		<b>118,480,906</b>	127,033,911
Interest income		<b>98,940,769</b>	37,882,457
Asset impairment losses	(16)	—	(41,367,807)
Credit impairment losses	(17)	<b>67,291,469</b>	—
Add: Other income		<b>4,558,092</b>	7,961,349
Investment income	(18)	<b>2,272,720,278</b>	1,836,736,230
Including: Investment income from associates and joint ventures		<b>1,283,001,281</b>	1,108,662,568
Gains on disposal of assets		<b>5,236,044</b>	18,076,710
<b>2. Operating profit</b>		<b>3,475,538,695</b>	2,711,768,560
Add: Non-operating income		<b>39,338,264</b>	21,611,756
Less: Non-operating expenses		<b>(9,690,978)</b>	(1,162,335)
<b>3. Total profit</b>		<b>3,505,185,981</b>	2,732,217,981
Less: Income tax expenses	(19)	<b>(375,345,943)</b>	(290,909,455)
<b>4. Net profit</b>		<b>3,129,840,038</b>	2,441,308,526
Classified by continuity of operations			
Net profit from continuing operations		<b>3,129,840,038</b>	2,441,308,526
Net profit from discontinued operations		—	—
<b>5. Other comprehensive income, net of tax</b>	(20)	<b>(133,110,000)</b>	336,020,000
Other comprehensive income items that will not be subsequently reclassified to profit or loss			
Changes in remeasurement of defined benefit plan obligations		<b>(133,110,000)</b>	336,020,000
<b>6. Total comprehensive income</b>		<b>2,996,730,038</b>	2,777,328,526

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:



# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

Item	Note 4	For the year ended 31 December 2018	For the year ended 31 December 2017
<b>1. Cash flows from operating activities</b>			
Cash received from sales of goods or rendering of services		10,811,393,842	8,278,094,521
Cash received relating to other operating activities	(52) (a)	347,633,961	328,669,381
<b>Sub-total of cash inflows</b>		<b>11,159,027,803</b>	8,606,763,902
Cash paid for goods and services		(5,162,532,643)	(3,471,477,800)
Cash paid to and on behalf of employees		(2,010,625,247)	(1,903,628,956)
Payments of taxes and surcharges		(1,304,420,971)	(1,057,342,700)
Cash paid relating to other operating activities	(52) (b)	(390,444,728)	(250,025,849)
<b>Sub-total of cash outflows</b>		<b>(8,868,023,589)</b>	(6,682,475,305)
<b>Net cash flows from operating activities</b>		<b>2,291,004,214</b>	1,924,288,597
<b>2. Cash flows from investing activities</b>			
Cash received from disposal of investments		12,841,958,668	7,335,313,153
Cash received from returns on investments		1,676,369,248	1,564,698,158
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		380,905,473	169,532,059
Net cash received from the disposal of subsidiaries	(53) (g)	—	282,901,743
Cash received relating to other investing activities	(52) (c)	6,485,958,858	1,586,297,949
<b>Sub-total of cash inflows</b>		<b>21,385,192,247</b>	10,938,743,062
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(2,952,122,093)	(2,623,247,513)
Cash paid to acquire investments		(15,242,501,732)	(7,271,436,076)
Cash paid to acquire subsidiaries	(53) (g)	(23,035,440)	(150,986,216)
Cash paid relating to other investing activities	(52) (d)	(4,107,108,822)	(2,635,303,212)
<b>Sub-total of cash outflows</b>		<b>(22,324,768,087)</b>	(12,680,973,017)
<b>Net cash flows from investing activities</b>		<b>(939,575,840)</b>	(1,742,229,955)

# CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 4	For the year ended 31 December 2018	For the year ended 31 December 2017
<b>3. Cash flows from financing activities</b>			
Cash received from capital contributions		765,350,000	3,636,021,848
Including: Cash received from capital contributions by minority shareholders of subsidiaries		765,350,000	110,900,000
Cash received from borrowings		2,520,030,529	563,047,370
Cash received relating to other financing activities	(52) (e)	—	1,260,030,741
<b>Sub-total of cash inflows</b>		<u>3,285,380,529</u>	<u>5,459,099,959</u>
Cash repayments of borrowings		(2,406,853,770)	(475,576,199)
Cash payments for distribution of dividends, profits or interest expenses		(296,388,169)	(1,050,087,466)
Including: Cash payments for distribution of profit to minority shareholders of subsidiaries		(85,197,324)	(48,496,879)
Cash paid relating to other financing activities	(52) (f)	(4,336,210,264)	(447,933,058)
<b>Sub-total of cash outflows</b>		<u>(7,039,452,203)</u>	<u>(1,973,596,723)</u>
<b>Net cash flows from financing activities</b>		<u>(3,754,071,674)</u>	<u>3,485,503,236</u>
<b>4. Effect of foreign exchange rate changes on cash</b>		<u>53,982,448</u>	<u>(52,110,364)</u>
<b>5. Net increase in cash</b>	(53) (e)	<u>(2,348,660,852)</u>	3,615,451,514
Add: Cash at the beginning of the year		<u>6,362,939,502</u>	2,747,487,988
<b>6. Cash at the end of the year</b>	(53) (f)	<u>4,014,278,650</u>	<u>6,362,939,502</u>

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

# COMPANY CASH FLOW STATEMENT

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

Item	For the year ended 31 December 2018	For the year ended 31 December 2017
<b>1. Cash flows from operating activities</b>		
Cash received from sales of goods or rendering of services	3,816,807,202	3,296,429,704
Cash received relating to other operating activities	517,409,021	275,801,620
<b>Sub-total of cash inflows</b>	<b>4,334,216,223</b>	<b>3,572,231,324</b>
Cash paid for goods and services	(1,142,179,222)	(1,079,684,613)
Cash paid to and on behalf of employees	(1,436,918,252)	(1,365,640,104)
Payments of taxes and surcharges	(559,785,399)	(427,707,899)
Cash paid relating to other operating activities	(69,694,626)	(74,895,427)
<b>Sub-total of cash outflows</b>	<b>(3,208,577,499)</b>	<b>(2,947,928,043)</b>
<b>Net cash flows from operating activities</b>	<b>1,125,638,724</b>	<b>624,303,281</b>
<b>2. Cash flows from investing activities</b>		
Cash received from disposal of investments	5,929,746,413	1,117,898,464
Cash received from returns on investments	2,097,074,557	1,751,238,895
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	230,437,683	164,854,809
Cash received relating to other investing activities	3,542,100,000	60,000,000
<b>Sub-total of cash inflows</b>	<b>11,799,358,653</b>	<b>3,093,992,168</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(972,906,278)	(562,826,806)
Cash paid to acquire investments	(7,195,061,594)	(1,926,419,115)
Cash paid relating to other investing activities	(1,982,100,000)	(1,407,574,570)
<b>Sub-total of cash outflows</b>	<b>(10,150,067,872)</b>	<b>(3,896,820,491)</b>
<b>Net cash flows from investing activities</b>	<b>1,649,290,781</b>	<b>(802,828,323)</b>

## COMPANY CASH FLOW STATEMENT (CONTINUED)

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

Item	For the year ended 31 December 2018	For the year ended 31 December 2017
<b>3. Cash flows from financing activities</b>		
Cash received from capital contributions	—	3,525,121,848
Cash received from borrowings	<u>171,000,000</u>	<u>724,464,794</u>
<b>Sub-total of cash inflows</b>	<u>171,000,000</u>	<u>4,249,586,642</u>
Cash repayments of borrowings	<u>(327,000,000)</u>	<u>(576,795,017)</u>
Cash payments for distribution of dividends, profits or interest expenses	<u>(116,502,619)</u>	<u>(914,671,198)</u>
Cash paid relating to other financing activities	<u>(11,105,813)</u>	<u>(433,562,948)</u>
<b>Sub-total of cash outflows</b>	<u>(454,608,432)</u>	<u>(1,925,029,163)</u>
<b>Net cash flows from financing activities</b>	<u>(283,608,432)</u>	<u>2,324,557,479</u>
<b>4. Effect of foreign exchange rate changes on cash</b>	<u>42,110,177</u>	<u>(43,406,254)</u>
<b>5. Net increase in cash</b>	<u>2,533,431,250</u>	<u>2,102,626,183</u>
Add: Cash at the beginning of the year	<u>4,285,781,741</u>	<u>2,183,155,558</u>
<b>6. Cash at the end of the year</b>	<u><u>6,819,212,991</u></u>	<u><u>4,285,781,741</u></u>

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

Item	Note 4	Attributable to shareholders of the Company							Total shareholders' equity	
		Share capital	Capital surplus	Other comprehensive income	Surplus reserve	General risk reserve	Undistributed profits	Specific reserve		Minority interests
<b>Balance at 1 January 2017</b>		4,778,204,000	5,321,635,366	(63,024,800)	429,859,457	134,121,910	3,631,936,223	2,991,631	1,246,834,836	15,482,558,623
<b>Movements for the year ended 31 December 2017</b>										
Total comprehensive income										
Net profit		—	—	—	—	—	3,042,959,443	—	197,403,143	3,240,362,586
Other comprehensive income	(35)	—	—	346,890,300	—	—	—	—	519,700	347,410,000
Total comprehensive income for the year		—	—	346,890,300	—	—	3,042,959,443	—	197,922,843	3,587,772,586
Capital contribution and withdrawal by shareholders										
Additional issuance of domestic shares and foreign listed H shares	(34)	1,258,520,000	5,452,243,208	—	—	—	—	—	—	6,710,763,208
Capital contribution by minority shareholders in subsidiaries		—	—	—	—	—	—	—	110,900,000	110,900,000
Profit distribution										
Appropriation to Surplus reserve	(36)	—	—	—	244,130,853	—	(244,130,853)	—	—	—
Appropriation to general risk reserve	(37)	—	—	—	—	92,237,961	(92,237,961)	—	—	—
Profit distribution to shareholders	(38)	—	—	—	—	—	(787,551,013)	—	(48,496,879)	(836,047,892)
Specific reserve										
Appropriation to safety fund		—	—	—	—	—	—	43,541,081	3,960,245	47,501,326
Utilisation of safety fund		—	—	—	—	—	—	(34,585,980)	(3,127,426)	(37,713,406)
Recognition of other changes in other reserve of associates and joint ventures	(34)	—	(3,078,055)	—	—	—	—	—	—	(3,078,055)
<b>Balance at 31 December 2017</b>		<u>6,036,724,000</u>	<u>10,770,800,519</u>	<u>283,865,500</u>	<u>673,990,310</u>	<u>226,359,871</u>	<u>5,550,975,839</u>	<u>11,946,732</u>	<u>1,507,993,619</u>	<u>25,062,656,390</u>

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 4	Attributable to shareholders of the Company							Total shareholders' equity	
		Share capital	Capital surplus	Other comprehensive income	Surplus reserve	General risk reserve	Undistributed profits	Specific reserve		Minority interests
Balance at 31 December 2017		6,036,724,000	10,770,800,519	283,865,500	673,990,310	226,359,871	5,550,975,839	11,946,732	1,507,993,619	25,062,656,390
Impacts from changes in accounting policies(Note 2(30))		—	—	—	—	—	(16,939,322)	—	—	(16,939,322)
Balance at 1 January 2018		6,036,724,000	10,770,800,519	283,865,500	673,990,310	226,359,871	5,534,036,517	11,946,732	1,507,993,619	25,045,717,068
<b>Movements for the year ended 31 December 2018</b>										
Total comprehensive income										
Net profit		—	—	—	—	—	3,593,485,631	—	250,040,717	3,843,526,348
Other comprehensive income	(35)	—	—	(150,171,312)	—	—	—	—	4,550,581	(145,620,731)
Total comprehensive income for the year		—	—	(150,171,312)	—	—	3,593,485,631	—	254,591,298	3,697,905,617
Capital contribution and withdrawal by shareholders										
Capital contribution by minority shareholders in subsidiaries		—	—	—	—	—	—	—	765,350,000	765,350,000
Profit distribution										
Appropriation to Surplus reserve	(36)	—	—	—	312,984,004	—	(312,984,004)	—	—	—
Appropriation to general risk reserve	(37)	—	—	—	—	71,923,935	(71,923,935)	—	—	—
Profit distribution to shareholders	(38)	—	—	—	—	—	—	—	(87,174,030)	(87,174,030)
Specific reserve										
Appropriation to safety fund		—	—	—	—	—	—	48,329,695	4,533,371	52,863,066
Utilisation of safety fund		—	—	—	—	—	—	(56,876,478)	(5,429,274)	(62,305,752)
Recognition of other changes in other reserve of associates and joint ventures	(34)	—	7,168,274	—	—	—	—	—	—	7,168,274
Balance at 31 December 2018		6,036,724,000	10,777,968,793	133,694,188	986,974,314	298,283,806	8,742,614,209	3,399,949	2,439,864,984	29,419,524,243

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:



# COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

Item	Note 18	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits	Specific reserve	Total equity
<b>Balance at 1 January 2017</b>		4,778,204,000	9,250,433,041	(65,200,000)	429,859,457	2,257,979,547	—	16,651,276,045
<b>Movements for the year ended 31 December 2017</b>								
Total comprehensive income								
Net profit		—	—	—	—	2,441,308,526	—	2,441,308,526
Other comprehensive income	(20)	—	—	336,020,000	—	—	—	336,020,000
Total comprehensive income for the year		—	—	336,020,000	—	2,441,308,526	—	2,777,328,526
Capital contribution and withdrawal by shareholders								
Additional issuance of domestic shares and foreign listed H shares	(10)	1,258,520,000	5,452,243,208	—	—	—	—	6,710,763,208
Profit distribution								
Appropriation to surplus reserves	(11)	—	—	—	244,130,853	(244,130,853)	—	—
Profit distribution to shareholders	(11)	—	—	—	—	(787,551,013)	—	(787,551,013)
Specific reserve								
Appropriation to safety fund		—	—	—	—	—	34,187,468	34,187,468
Utilisation of safety fund		—	—	—	—	—	(26,209,680)	(26,209,680)
Recognition of other changes in other reserve of associates and joint ventures	(10)	—	(3,078,055)	—	—	—	—	(3,078,055)
<b>Balance at 31 December 2017</b>		<u>6,036,724,000</u>	<u>14,699,598,194</u>	<u>270,820,000</u>	<u>673,990,310</u>	<u>3,667,606,207</u>	<u>7,977,788</u>	<u>25,356,716,499</u>

# COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 18	Other comprehensive income					Specific reserve	Total equity
		Share capital	Capital surplus	income	Surplus reserve	Undistributed profits		
<b>Balance at 31 December 2017</b>		<b>6,036,724,000</b>	<b>14,699,598,194</b>	<b>270,820,000</b>	<b>673,990,310</b>	<b>3,667,606,207</b>	<b>7,977,788</b>	<b>25,356,716,499</b>
Impacts from changes in accounting policies (Note 2(30))		—	—	—	—	(5,137,416)	—	(5,137,416)
<b>Balance at 1 January 2018</b>		<b>6,036,724,000</b>	<b>14,699,598,194</b>	<b>270,820,000</b>	<b>673,990,310</b>	<b>3,662,468,791</b>	<b>7,977,788</b>	<b>25,351,579,083</b>
Movements for the year ended 31 December 2018								
Total comprehensive income								
Net profit		—	—	—	—	3,129,840,038	—	3,129,840,038
Other comprehensive income	(30)	—	—	(133,110,000)	—	—	—	(133,110,000)
Total comprehensive income for the year		—	—	(133,110,000)	—	3,129,840,038	—	2,996,730,038
Profit distribution								
Appropriation to surplus reserves		—	—	—	312,984,004	(312,984,004)	—	—
Specific reserve								
Appropriation to safety fund		—	—	—	—	—	32,257,850	32,257,850
Utilisation of safety fund		—	—	—	—	—	(40,235,638)	(40,235,638)
Recognition of other changes in other reserve of associates and joint ventures	(22)	—	7,168,274	—	—	—	—	7,168,274
<b>Balance at 31 December 2018</b>		<b>6,036,724,000</b>	<b>14,706,766,468</b>	<b>137,710,000</b>	<b>986,974,314</b>	<b>6,479,324,825</b>	<b>—</b>	<b>28,347,499,607</b>

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 1 GENERAL INFORMATION

Qingdao Port International Co., Ltd. (“the Company” or “Qingdao Port International”) is a stock limited company incorporated in Qingdao City of Shandong Province of the People’s Republic of China (“the PRC”) on 15 November 2013 (the Company’s “Date of Incorporation”) by Qingdao Port (Group) Co., Ltd. (“Qingdao Port Group”) (“the Leading Promoter”) together with “Other Promoters” including Shenzhen Malai Storage Co., Ltd. (“Malai Storage”), Qingdao Ocean Shipping Co., Ltd. (“Qingdao Ocean Shipping”), China Shipping Terminal Development Co., Ltd. (“China Shipping Terminal”), Everbright (Qingdao) Financial Leasing Co., Ltd. (Everbright Financial Leasing) and Qingdao International Investment Co., Ltd. (“Qingdao International Investment”), with its registered address at No. 12 Jingba Road, Huangdao District, Qingdao, PRC. The parent company and the ultimate parent company of the Company are Qingdao Port Group.

Pursuant to Qingdao State-Owned Assets Supervision & Administration Commission’s Official Reply on Approval of Establishment of Limited Liability Company and Listing of H-Shares By Qingdao Port (Group) Co., Ltd. (Qing Guo Zi Gui [2013] No. 29) and restructuring plan, Qingdao Port Group restructures and establishes a limited liability company. The total share capital of the Company at incorporation is 4,000,000,000 shares (par value at RMB 1). The total capital contributions subscribed by the initiators and the share capital converted are as follows (Amounts in RMB ten thousand Yuan):

Name of promoter	Form of contribution	Amount of contribution	Shareholding	Capital surplus	Shareholding (%)
Qingdao Port Group	Asset and liability	1,065,228	360,000	705,228	90.0%
Malai Storage	Cash at bank and on hand	33,141	11,200	21,941	2.8%
Qingdao Ocean Shipping	Cash at bank and on hand	28,406	9,600	18,806	2.4%
China Shipping Terminal	Cash at bank and on hand	28,406	9,600	18,806	2.4%
Everbright Financial Leasing	Cash at bank and on hand	14,203	4,800	9,403	1.2%
Qingdao International Investment	Cash at bank and on hand	14,203	4,800	9,403	1.2%
Total		<u>1,183,587</u>	<u>400,000</u>	<u>783,587</u>	<u>100%</u>

Pursuant to the proposal raised at the Board of Directors and approval by the Shareholders’ Meeting, the Company issued 705,800,000 foreign-listed H-shares overseas at its Initial Public Offering on 6 June 2014 according to the Official Reply on Approval of Overseas Issuance of Foreign Shares by Qingdao Port International Co., Ltd. (No. 434 Paper of China Securities Regulatory Commission). The offering price per share is HKD 3.76 (approximately equivalent to RMB 2.98). The amount of raised capital less capitalised listing expenses was RMB 1,995,921,171, including share capital of RMB 705,800,000 (705,800,000 shares, par value at RMB 1) and capital surplus of RMB 1,290,121,171.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

## 1 GENERAL INFORMATION (Continued)

The Company exercised over-allotment option on 2 July 2014 and issued an additional of 72,404,000 foreign-listed H shares overseas. The issuance price per share was HKD 3.76 (approximately equivalent to RMB 2.99). The amount raised in over-allotment was RMB 216,167,727, including share capital of RMB 72,404,000 (72,404,000 shares, par value at RMB 1) and capital surplus of RMB 143,763,727.

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

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

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

As at 31 December 2018, the total share capital of the Company is 6,036,724,000 shares with par value at RMB 1, including 4,937,699,000 domestic shares and 1,099,025,000 H shares, accounting for 81.8% and 18.2% respectively of the total share capital. Qingdao Port Group holds 58.48% shares of the Company.

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

For the major subsidiaries included in the scope of consolidation during the reporting period, please refer to Note 6. Subsidiaries newly included in the scope of consolidation for the reporting period include newly established subsidiaries (Note 5(1), (3)) and subsidiaries acquired through business combination. Subsidiaries that are excluded from consolidation for the reporting period refer to subsidiaries deregistered or disposed (Note 5(2)).

These financial statements have been approved for issue by the Company’s Board of Directors on 28 March 2019.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Accounting policies and accounting estimates are determined based on the features of the Group's production and operation, which mainly include judgement criteria for the impairment of financial assets (Note 2(9)), the method of determining the expected credit loss for receivables and contract asset (Note 2(10)), depreciation of fixed assets (Note 2(14)), amortisation of intangible assets (Note 2(17)), early retirement benefits and supplementary retirement benefits (Note 2(20)) and method of revenue recognition (Note 2(23)) and so on.

The Group's critical judgements applied in determining significant accounting policies are disclosed in Note 2(31).

### (1) Preparation basis of financial statements

The financial statements are prepared in accordance with the Accounting Standard for Business Enterprises - Basic Standard, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as the "Accounting Standards for Business Enterprises") and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 - General Rules on Financial Reporting issued by China Securities Regulatory Commission.

The financial statements are prepared on a going concern basis.

The New Hong Kong Companies Ordinance took effect since 3 March 2014 and certain disclosures in the financial statements have been adjusted in accordance with requirements therein.

#### (a) Preparation basis of consolidated financial statements

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

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

#### (b) Preparation basis of the Company's financial statements

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (2) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the year ended 31 December 2018 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the Consolidated and the Company's financial position as of 31 December 2018 and their financial performance, cash flows and other information for the year then ended.

### (3) Accounting year

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

### (4) Recording currency

The recording currency is Renminbi (RMB). The financial statements are shown in RMB.

### (5) Business combination

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (6) Preparation of consolidated financial statements

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (7) Cash and cash equivalents

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

### (8) Foreign currency translation

#### (a) Foreign currency transactions

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (9) Financial instruments

Financial instrument is a contract that forms financial asset of one party and financial liability or equity instrument of the other party. When the Group becomes a party to a financial instrument contract, the relevant financial assets or financial liabilities are recognized.

#### (a) Financial assets

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

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

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

##### *Debt instruments*

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

Measured at amortised cost:

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (9) Financial instruments (Continued)

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

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

###### *Debt instruments* (Continued)

Measured at fair value through other comprehensive income:

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

Measured at fair value through current profit or loss:

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

###### *Equity instruments*

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (9) Financial instruments (Continued)

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

##### (ii) *Impairment*

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

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

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

For financial instruments with low credit risk at the balance sheet date, the Group assumes the credit risk of such financial instruments does not increase significantly after the initial recognition, and measures loss provision based on 12-month ECL.

For financial instruments in Stage 1 and Stage 2 and that with low credit risk, interest income is calculated based on gross carrying amount without deduction of impairment provision and the effective interest rate. For financial instruments in the Stage 3, interest income is calculated based on amortised cost by using carrying amount less impairment provision appropriated and the effective interest rate.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (9) Financial instruments (Continued)

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

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

For notes receivable and accounts receivable as well as contract assets, no matter whether there is a significant financing component, the Group measures loss provision based on lifetime ECL (Note 2(10)).

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

##### (iii) Derecognition

A financial asset is derecognised when any of the below criteria is met: (1) the contractual rights to receive the cash flows from the financial asset expire; (2) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (3) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

On derecognition of investments in other equity instruments, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognised directly in other comprehensive income, is recognised in retained earnings. On derecognition of other financial assets, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognised directly in other comprehensive income, is recognised in profit or loss in the current period.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (9) Financial instruments (Continued)

#### (b) Financial liabilities

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

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

A financial liability is derecognised or partly derecognised when the current obligation is discharged or partly discharged. The difference between the carrying amount of the financial liability or the derecognised part of the financial liability and the consideration paid is recognised in profit or loss in the current period.

#### (c) Determination of fair value of financial instruments

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (10) Receivables and contract asset

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

The Group recognises the loss provision based on the ECL. The impairment provision is measured based on the amount of lifetime ECL at the initial recognition and the duration of the receivables and contract assets, no matter whether there is a significant financing component.

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

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

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

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

When there is no information at reasonable cost to access the expected credit loss on the individual basis, the Group classifies receivables into several groupings in accordance with credit risk characteristics and measures ECL on the basis of groupings. Basis for grouping is as follows:

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (10) Receivables and contract asset (Continued)

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

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

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

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

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

For the amounts grouped as other receivables and long term receivables, the Group refers to the historical credit loss experience, combined with the current situation and the forecast of future economic conditions, based on default risk exposure and the ECL rate for the next 12 months or entire lifetime, to calculate the ECL.

The Group recognises the loss provision made or reversed into current profit or loss. For debt instruments held at fair value through other comprehensive income, the Group adjusts other comprehensive income while the impairment loss or gain is recognised in current profit or loss.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (11) Inventories

**(a) Classification**

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

**(b) Costing of inventories when issued**

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

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

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

**(d) The Group adopts the perpetual inventory system.**

### (12) Long-term equity investments

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (a) Determination of investment cost

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

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

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

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

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

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

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

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

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

The carrying amounts of long-term equity investments in subsidiaries, joint ventures and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(19)).



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (13) Investment properties

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

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

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

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

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

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

The carrying amount of an investment property is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 2(19)).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (14) Fixed assets

#### (a) Recognition and initial measurement of fixed assets

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

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

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

#### (b) Depreciation methods of fixed assets

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

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

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

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

#### (c) The carrying amount of a fixed asset is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 2(19)).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (14) Fixed assets (Continued)

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

A lease that in substance transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. The leased asset is recognised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognised finance charge (Note 2(26)(b)).

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

#### (e) Disposal of fixed assets

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

### (15) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(19)).

### (16) Borrowing costs

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (16) Borrowing costs (Continued)

The capitalised amount of specific borrowings intended to be used for the acquisition and construction of qualifying assets is determined by the interest expenses incurred in the period less interest income of the unused borrowings deposited at bank or investment income from temporary investments.

The capitalised amount of general borrowings intended to be used for the acquisition and construction of qualifying assets is determined by the weighted average of the excess of accumulated capital expenditure over capital expenditure of the special borrowings multiplied by the weighted average effective interest rate of the utilised general borrowings. The effective interest rate is the rate at which the future cash flows of the borrowings over the expected lifetime or a shorter applicable period are discounted into the initial recognised amount of the borrowings.

### (17) Intangible assets

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

#### (a) Land use rights

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

#### (b) Sea area use rights

Sea area use rights are initially recorded at their cost on acquisition and amortised on the straight-line basis over their useful lives of 50 years.

#### (c) Computer software

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (17) Intangible assets (Continued)

#### (e) Research and development

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project.

Expenditures of the planned investigation, evaluation, and selection phases for the research of production process and development of software system are regarded as expenditures for the research phase, which are included in the current profit and loss when they occur; prior to mass production, the relevant design and test expenditure for the final application of the production process and software system is regarded as the expenditure for the development phase, and can be capitalized if the following conditions are met:

- The production process and the development of the software system have been fully demonstrated by the technical team;
- Management has approved budget for production process and software system development;
- Research and analysis of previous market research indicates that production processes and software systems have marketing capabilities; production processes and software systems will be used internally to prove their usefulness;
- The Group has adequate technical and financial support to complete the development activities and the subsequent mass production, and the ability to use or sell the production process and software systems; and

Expenditure on production process and software system development can be reliably collected.

- Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

#### (f) Impairment of intangible assets

The carrying amount of intangible assets is reduced to its recoverable amount when its recoverable amount is lower than its carrying amount (Note 2(19)).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (18) Long-term prepaid expenses

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

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (20) Employee benefits

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

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

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

#### (b) Post-employment benefits

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

##### *Basic pensions*

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

##### *Corporate annuity*

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (20) Employee benefits (Continued)

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

##### *Supplemental retirement benefits*

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

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

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

#### (c) Termination benefits

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (20) Employee benefits (Continued)

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

##### *Early retirement benefits*

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

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

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

### (21) Dividend distribution

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

### (22) Provisions

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (22) Provisions (Continued)

The financial guarantee contract loss provision recognized by the Group on the basis of expected credit losses is recognized as provisions.

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

### (23) Revenue recognition

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

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

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

- (i) Income from services is recognised when they are rendered, which include stevedoring and stacking of goods like metal ores, coal, crude oil, grains, break bulk cargo, containers, port management, logistics and transportation, tugboat and barging, ocean shipping tallying and other services;
- (ii) Income from stacking of goods like metal ores, coal, crude oil, grains, break bulk cargo, containers is recognised on the straight-line basis over the service period;
- (iii) When the outcome of a construction labour contract can be reliably estimated, contract revenue and costs are recognised based on contract performance progress at the balance sheet date. If it is assessed that the estimated total contract costs may exceed the estimated total contract revenue, the estimated loss shall be recorded in profit or loss for the current period. If completion timing of construction in progress cannot be reasonably determined, the cost incurred by the Group which are expected to be reimbursed, the revenue should be determined in accordance with the cost incurred until completion timing of construction in progress can be reasonably determined.

When the revenue is recognised according to the progress of completed labour by the Group, the amounts with unconditional collection right obtained by the Group are recognised as accounts receivable, and the rest are recognised as contract assets. Meanwhile, loss provision for accounts receivable and contract assets is recognised based on ECL (Note 2(10)). If the contract amount received or receivable exceeds the amount for the completed labour, the difference is recognised as contract liabilities. Contract assets and contract liabilities under the same contract are presented on a net basis.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (23) Revenue recognition (Continued)

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

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

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

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

### (24) Government grants

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

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

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

Government grants related to assets are recorded as deferred income and recognised in profit or loss on a systemic basis over the useful lives of the assets.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (24) Government grants (Continued)

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

The Group uses the same presentation method for similar government grants.

Government grants that are related to ordinary activities are included in operating profit, otherwise, they are recorded in non-operating income or expenses.

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

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

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

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

Deferred tax assets and liabilities are offset when:

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (26) Leases

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

#### (a) Operating leases

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

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

#### (b) Finance leases

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (28) Custodian business

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

### (29) Segment information

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

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

### (30) Changes in accounting policies

The Ministry of Finance released the revised *CAS 14 - Revenue* (hereinafter “new revenue standard”), revised *CAS 22 - Recognition and Measurement of Financial Instruments*, *CAS 23 - Transfer of Financial Assets* and *CAS 37 - Presentation of Financial Instruments* (hereinafter “new accounting standards for financial instruments”) in 2017 and released the *Circular of the Ministry of Finance on Revising and Issuing the Formats of Corporate Financial Statements for 2018* (Cai Kuai [2018] No. 15) and its interpretation in 2018. The financial statements for the year ended 31 December 2018 are prepared in accordance with the above standards and circular, and the impacts are as follows:

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (a) Format of financial statements

(i) impacts for the consolidated financial statements and income statements are as follows:

The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected	
		31 December 2017	1 January 2017
The Group recorded 'notes receivable' and 'accounts receivable' in 'notes receivable and accounts receivable'.	Accounts receivable	(1,873,364,887)	(1,307,610,944)
	Notes receivable	(591,810,980)	(665,419,919)
	Notes receivable and accounts receivable	2,465,175,867	1,973,030,863
The Group recorded 'interests receivable', 'dividends receivable' and 'other receivables' in 'other receivables'.	Interests receivable	(34,368,536)	(27,600,404)
	Dividends receivable	—	(100,000,000)
	Other receivables	34,368,536	127,600,404
The Group recorded 'construction in progress' and 'construction materials' in 'construction in progress'.	Construction materials	—	(166,211,455)
	Construction in progress	—	166,211,455
The Group recorded 'notes payable' and 'accounts payable' in 'notes payable and accounts payable'.	Accounts payable	(1,517,605,961)	(1,125,837,022)
	Notes payable	(882,183,561)	(817,619,173)
	Notes payable and accounts payable	2,399,789,522	1,943,456,195
The Group recorded 'interests payable', 'dividends payable' and 'other payables' in 'other payables'.	Interests payable	(99,576,003)	(99,129,006)
	Other payables	99,576,003	99,129,006
The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected	
		For the year ended 31 December 2017	
The Group recorded R&D expenses, which were recorded in general and administrative expenses, as a separate line item	Research and development expenses		19,704,505
	General and administrative expenses		(19,704,505)
The Group recorded interest income from entrusted loans, which was recorded in financial expenses into investment income	Financial expenses		89,197,505
	Investment income		(89,197,505)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

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

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

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

The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected	
		31 December 2017	1 January 2017
The Company recorded 'notes receivable' and 'accounts receivable' in 'notes receivable and accounts receivable'.	Accounts receivable	(956,905,662)	(685,670,025)
	Notes receivable	(207,434,549)	(384,780,521)
	Notes receivable and accounts receivable	1,164,340,211	1,070,450,546
The Company recorded 'interests receivable', 'dividends receivable' and 'other receivables' in 'other receivables'.	Interests receivable	(16,724,857)	(7,932,218)
	Dividends receivable	—	(100,000,000)
	Other receivables	16,724,857	107,932,218
The Company recorded 'notes payable' and 'accounts payable' in 'notes payable and accounts payable'.	Accounts payable	(561,731,007)	(790,245,295)
	Notes payable	(225,818,064)	(270,246,223)
	Notes payable and accounts payable	787,549,071	1,060,491,518
The Company recorded 'interests payable', 'dividends payable' and 'other payables' in 'other payables'.	Interests payable	(69,260,003)	(69,346,277)
	Other payables	69,260,003	69,346,277
<b>The nature and the reasons of the changes in accounting policies</b>	<b>The line items affected</b>	<b>The amounts affected</b>	
		For the year ended 31 December 2017	
The Group recorded R&D expenses, which were recorded in general and administrative expenses, as a separate line item	Research and development expenses		3,540,600
	General and administrative expenses		(3,540,600)
The Group recorded interest income from entrusted loans, which was recorded in financial expenses into investment income	Financial expenses		164,542,759
	Investment income		(164,542,759)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (b) Financial Instruments

According to the new financial instruments standard, there is no need to adjust the financial information for the comparison period. The Group recognised the cumulative effect of initial adoption of the standard as adjustment to the opening balance of retained earnings of 2018 and other related items in the financial statements. The comparatives for 2017 were not restated.

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

Items	The original financial instruments accounting standard		Items	The new financial instruments accounting standard	
	Measurement category	Carrying amount		Measurement category	Carrying amount
Cash at bank and on hand	Amortized cost	11,705,176,363	Cash at bank and on hand	Amortized cost	11,705,176,363
Other current assets	Measured at fair value through other comprehensive income (debt instruments)	639,000,000	Financial assets held for trading	Measured at fair value through profit or loss	639,000,000
Notes receivable and accounts receivable	Amortized cost	2,465,175,867	Notes receivable and accounts receivable	Amortized cost Measured at fair value through other comprehensive income	1,964,754,453 500,421,414
Other receivables	Amortized cost	1,064,094,089	Other receivables	Amortized cost	1,064,094,089
Available-for-sale financial assets	Measured at fair value through other comprehensive income (debt instruments) Measured at cost (equity instruments)	111,357,788 72,207,877	Other non-current financial assets	Measured at fair value through profit or loss	183,565,665
Long-term receivables	Amortized cost	4,395,674,475	Long-term receivables	Amortized cost	4,395,674,475

As at 31 December 2017 and 1 January 2018 there is no financial assets held for trading measured at fair value through profit or loss in the Group.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

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

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

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

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

As at 31 December 2017 and 1 January 2018 there is no financial assets held for trading measured at fair value through profit or loss in the Company.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

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

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

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

#### Sheet 1: Measured at amortized cost under the new standard

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

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

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

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

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

	Notes	Carrying amount	
		Consolidated	Company
Other non-current financial assets		—	—
31 December 2017			
Add: Transfer from other current assets - available-for-sale financial assets (under the old standards)	ii)	639,000,000	300,000,000
Add: Transfer from available-for-sale financial assets (under the old standards)	ii), iii)	<u>183,565,665</u>	<u>71,421,487</u>
1 January 2018		<u>822,565,665</u>	<u>371,421,487</u>
Total financial assets at fair value through profit or loss (under the new standards)		<u><u>822,565,665</u></u>	<u><u>371,421,487</u></u>

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

	Notes	Carrying amount	
		Consolidated	Company
Notes receivable and accounts receivable		—	—
31 December 2017			
Add: Bank acceptance notes that are measured at amortised cost (under the old standards)	i)	<u>500,421,414</u>	<u>182,824,549</u>
1 January 2018		<u>500,421,414</u>	<u>182,824,549</u>
Total financial assets at fair value through other comprehensive income (under the new standards)		<u><u>500,421,414</u></u>	<u><u>182,824,549</u></u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

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

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

##### i) Notes receivable endorsement

The Group endorsed part of the bank acceptance notes depending on the daily cash management. The Group's business model for the bank acceptance notes management aims to receive contractual cash flows and for sale. Therefore, as at 1 January 2018, the Group and the Company reclassified bank acceptance notes of RMB 500,421,414 and RMB 182,824,549 respectively to financial assets at fair value through other comprehensive income, and recognised as notes receivable and accounts receivable. There is no significant difference between the fair value and the original book value, and there is no need to adjust the opening balance of other comprehensive income.

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

As at 31 December 2017, the carrying amount of the Group's non-principal-guaranteed floating income wealth management products matured within one year was RMB 639,000,000 and the carrying amount of those matured after one year amounted to RMB 111,357,788, among which the Company's non-principal-guaranteed floating income wealth management products matured within one year was RMB 300,000,000. Since the Group's adoption of the new standards of financial instrument, characteristics of the contractual cash flows of such wealth management products no longer comply with the basic loan arrangement, therefore, on 1 January 2018, the Group and the Company reclassified the wealth management products from available-for-sale financial assets to financial assets at fair value through profit or loss, which are recorded as financial assets held for trading and other non-current financial assets based on their liquidity.

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

As at 31 December 2017, the carrying amount of the Group and the Company's unlisted equity investments measured at cost was RMB 72,207,877 and RMB 71,421,487, respectively. On 1 January 2018, the Group recognized such equity investments as financial assets at fair value through profit or loss and recorded them as other non-current financial assets. There is no significant difference between the fair value and the original book value, and there is no need to adjust the opening balance of other comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (c) Revenue

According to the new revenue standard, the Group and the Company recognises the cumulative effect of initial adoption of the standard as adjustment to the opening balance of retained earnings as at 1 January 2018 and other related items in the financial statements. The comparatives for 2017 were not restated.

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

		1 January 2018	
Financial statements items affected		Consolidated	Company
Due to the adoption of the new revenue standard, the Group and the Company reclassified advances from customers related to rendering of services to contract liabilities, reclassified amounts due from customers for construction contract included in inventory to contract assets, and related provisions for impairment loss were provided using the Expected Credit Loss method under the new accounting standards for financial instruments. (Note 2(10))	Contract liabilities	129,135,173	48,560,224
	Advances from customers	(129,135,173)	(48,560,224)
	Inventories	(451,715,249)	(136,997,767)
	Contract assets	429,129,486	130,147,879
	Deferred tax assets	5,646,441	1,712,472
	Undistributed profits at the beginning of the year	16,939,322	5,137,416

Compared with the original revenue standard, the impacts of the implementation of the new revenue standard on related items in the consolidated and company financial statements for the year ended 31 December 2018 are as follows:

		31 December 2018	
Items affected in financial statement		Consolidated	Company
Contract asset – Cost		302,144,963	151,432,700
Inventory		(302,144,963)	(151,432,700)
Contract liabilities		134,964,090	62,705,460
Advances from customers		(134,964,090)	(62,705,460)

Items in the income statement are not affected



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (31) Critical accounting estimates and judgements

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

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

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

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

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

##### (ii) *Estimate on useful lives and residual values of fixed assets*

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (a) Critical accounting estimates and assumption (Continued)

##### (iii) Actuarial calculation of early retirement and supplemental retirement benefits

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

##### (iv) Measurement of ECL

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (b) Critical judgements in applying the accounting policies (Continued)

##### (ii) Judgement on significant increase in credit risk

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

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

## 3 TAXATION

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

Category	Tax base	Tax rate
Enterprise income tax (a)	Taxable income	15%, 20% and 25%
Value-added tax ("VAT") (b)	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible input VAT of the current period)	6%, 10%, 11%, 16% and 17%
Land use tax	Taxable revenue amount	3% and 5%
City maintenance and construction tax	Actual size of the land occupied	RMB 3.5 to 13 per square meter per year
Educational surcharge	Value added tax and business tax paid	7%
	Value added tax and business tax paid	3%

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

## 3 TAXATION (Continued)

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

#### (a) Enterprise income tax

Pursuant to the 'Circular on Enterprise Income Tax Policy concerning Deductions for Equipment and Appliances' (Cai Shui [2018] 54) issued by the State Administration of Taxation, during the period from 1 January 2018 to 31 December 2020, the cost of newly purchased equipment with the original cost less than RMB 5 million can be fully deducted against taxable profit in the next month after the asset is put into use, instead of being depreciated annually for tax filing.

#### (b) VAT

The Company and certain subsidiaries engage in sales of fuel, electromechanical equipment, concrete, electricity, water etc. and merchandise trade, also provides services like transportation, stevedoring, port management, tugboat and ocean shipping tallying and leasing of tangible movable properties, etc. The above mentioned businesses are subject to VAT, before 1 May 2018, tax rate for sales of fuel, electromechanical equipment and electricity, merchandise trade as well as leasing of tangible movable properties is 17%; tax rate for sales of concrete, services like stevedoring, port management, tugboat, ocean shipping tallying, provision of loans and other services is 6%; tax rate for transport service, income from construction and installation project, transfer of properties like dock, storage yard and land use right and leasing of property is 11%; transfer or leasing of properties obtained before 30 April 2016 are subject to VAT levied at a rate of 5% by simple approach; tax for revenue from providing construction services of the old projects that started before 30 April 2016 and armor projects can be calculated by the simple tax calculation method and the tax rate is 3%; income from transfer of movable properties such as stevedoring equipment and machinery equipment for which, VAT input was not offset before 31 December 2008, is subject to VAT at a tax rate of 3% but is actually levied at the preferential tax rate of 2%.

Pursuant to the 'Circular on Adjustment of Tax Rate of Value Added Tax' (Cai Shui [2018] 32) jointly issued by the Ministry of Finance and the State Administration of Taxation, the applicable business VAT rate was adjusted from 17% to 16% and from 11% to 10% since 1 May 2018.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 3 TAXATION (Continued)

### (2) Tax preference

#### (a) Enterprise income tax

In 2016, the Company's subsidiary Qingdao Port Technology Co., Ltd. ("Technology Company") obtained the Certificate of High-tech Enterprises (Certificate No. GR201637100265) jointly issued by Qingdao Municipal Science and Technology Bureau, Qingdao Municipal Finance Bureau, Provincial Office (Qingdao), SAT and Qingdao Local Taxation Bureau. The certificate is valid for 3 years. Under the relevant provisions of Article 28 of Law of the People's Republic of China on Enterprise Income Tax, the income tax rate applicable to Technology Company for the year ended 31 December 2018 was 15%.

Pursuant to Cai Shui [2008] No. 116 and Cai Shui [2008] No. 46, Datang Port Co., Ltd. ("Datang Port"), a subsidiary of the Company, applied for public infrastructure projects and obtained the Notice of Tax Matters approved by Huangdao Branch of Qingdao Local Taxation Bureau. And it is entitled to a three-year exemption from enterprise income tax since 2016, the first year of obtaining operating income related to the port, followed by three years of 50% tax reduction.

Pursuant to Cai Shui [2008] No. 116 and Cai Shui [2008] No. 46, Qingdao Port Dongjiakou Multi-purpose Terminal Co., Ltd. ("DMT"), a subsidiary of the Company, applied for public infrastructure projects and obtained Filing List of Enterprise Income Tax Related Matters approved by the State Taxation Administration of Jiaonan City, Shandong Province. And it is entitled to a three-year exemption from enterprise income tax since 2017, the first year of obtaining operating income related to the port, followed by three years of 50% tax reduction.

Pursuant to Cai Shui [2008] No. 116 and Cai Shui [2008] No. 46, Qingdao Haiye Mercuria Logistics Co., Ltd. ("Mercuria Logistics"), a subsidiary of the Company, applied for public infrastructure projects and obtained the Filing List of Enterprise Income Tax Related Matters approved by the State Taxation Administration of Jiaonan City, Shandong Province. And it is entitled to a three-year exemption from enterprise income tax since the first year of obtaining operating income related to the port, followed by three years of 50% tax reduction. According to the above documents, Mercuria Logistics was subject to 50% tax reduction since 2017. Non-terminal related businesses such as stockpiling services are not eligible for income tax reductions.

In 2018, Qingdao Port Lianyu International Logistics Co., Ltd. ("Lianyu Logistics"), Qingdao Bonded Port Area Gangrong Storage Center Co., Ltd. ("Gangrong Storage"), Qingdao Ocean Shipping Repair Co., Ltd. ("Ocean Shipping Repair"), Qingdao Port Culture & Media Co., Ltd. ("Cultural & Media"), Qingdao Port Engineering Design Institute Co., Ltd. ("Port Engineering Design Institute") and Qingdao Ocean Tally Inspection and Testing Co., Ltd. ("Ocean Tally Inspection"), subsidiaries of the Company, were all small low-profit enterprises with an annual taxable income of less than RMB 200,000 (inclusive), and shall be subject to the enterprise income tax at a rate of 20% with 50% of income as the taxable income.

#### (b) Land use tax

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	<b>31 December 2018</b>	31 December 2017
Cash on hand	5,049	95,372
Cash at bank	7,143,019,665	10,574,797,660
Other cash balances	<u>934,947,784</u>	<u>1,130,283,331</u>
	<b><u>8,077,972,498</u></b>	<b><u>11,705,176,363</u></b>
Including: amounts deposited abroad	<b>161,984,217</b>	128,811,003

As at 31 December 2018, other cash balances include statutory deposit reserves in the People's Bank of China by Qingdao Finance amounted to RMB 865,122,560 according to relevant regulations, deposits for the issuance of bank acceptance notes amounted to RMB 35,444,084, deposits for the issuance of letter of credit amounted to RMB 23,694,560 and deposits for the issuance of letter of guarantee amounted to RMB 10,686,580 (31 December 2017: other cash balances include statutory deposit reserves in the People's Bank of China by Qingdao Finance amounted to RMB 743,301,422 according to relevant regulations, deposits for the issuance of bank acceptance notes amounted to RMB 15,452,829, deposits for the issuance of letter of credit amounted to RMB 3,010,801, deposits for foreign exchange trading amounted to RMB 367,840,839 and deposits for the issuance of letter of guarantee amounted to RMB 677,440).

### (2) Financial assets held for trading

	<b>31 December 2018</b>	31 December 2017
Wealth management products	<b><u>875,000,000</u></b>	<u>—</u>

As at 31 December 2018, wealth management products are the Group's non-principal-guaranteed floating income wealth management products purchased from commercial banks and other financial institutions.

### (3) Notes receivable and accounts receivable

	<b>31 December 2018</b>	31 December 2017
Notes receivable (a)	735,595,077	591,810,980
Accounts receivable (b)	<u>2,068,535,326</u>	<u>1,873,364,887</u>
	<b><u>2,804,130,403</u></b>	<b><u>2,465,175,867</u></b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (a) Notes receivable

	<b>31 December 2018</b>	31 December 2017
Trade acceptance notes	<b>68,630,097</b>	91,389,566
Less: Provision for bad debts	<b>(3,431,505)</b>	—
Bank acceptance notes	<b>670,396,485</b>	500,421,414
	<b><u>735,595,077</u></b>	<u>591,810,980</u>

The Group endorses part of the bank acceptance notes for daily fund management purpose. Therefore, the bank acceptance notes are classified as financial assets at fair value through other comprehensive income. The Group believes that measured bank acceptance notes do not expose to significant credit risk and will not cause significant losses due to the bank default.

As at 31 December 2018, the bank acceptance notes that the Group has endorsed but have not yet expired amounted to RMB 609,199,949 (31 December 2017:RMB 1,158,019,364), have been derecognised.

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

#### (b) Accounts receivable

	<b>31 December 2018</b>	31 December 2017
Accounts receivable	<b>2,197,641,028</b>	1,992,932,936
Less: Provision for bad debts	<b>(129,105,702)</b>	(119,568,049)
	<b><u>2,068,535,326</u></b>	<u>1,873,364,887</u>

The Group's income from rendering of service and sales are partially made by cash, advances from customers, bank acceptance notes and trade acceptance notes. The remains are settled primarily by providing credit terms of 90 days.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

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

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

(i) Aging analysis of accounts receivable based on the recording dates is as follows:

	<b>31 December 2018</b>	31 December 2017
Within 1 year	<b>2,054,374,493</b>	1,867,543,937
1 to 2 years	<b>123,010,857</b>	100,093,827
2 to 3 years	<b>7,147,776</b>	9,318,960
3 to 4 years	<b>3,099,707</b>	7,030,000
4 to 5 years	<b>1,384,483</b>	—
Over 5 years	<b>8,623,712</b>	8,946,212
	<b><u>2,197,641,028</u></b>	<u>1,992,932,936</u>

(ii) As at 31 December 2018, the total amount of top five accounts receivable from customers are analysed as follows:

	<b>Amount</b>	<b>Provision for bad debts</b>	<b>% of total accounts receivable balance</b>
Total amount of five largest accounts receivable	<u>619,901,935</u>	<u>(34,239,539)</u>	<u>28.21%</u>

(iii) As at 31 December 2018, there are no accounts receivable derecognised due to the transfer to financial assets (As at 31 December 2017:nil).

#### (c) Provision for bad debts

	<b>31 December 2018</b>	31 December 2017
Provision for bad debts of trade acceptance notes	<b>(3,431,505)</b>	—
Provision for bad debts of accounts receivable	<b>(129,105,702)</b>	(119,568,049)
	<b><u>(132,537,207)</u></b>	<u>(119,568,049)</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

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

For notes receivable and accounts receivable, the Group measures the loss provision based on the lifetime ECL regardless of whether there exists a significant financing component.

Provision for bad debts of trade acceptance notes and accounts receivables by categories are analysed as follows:

	31 December 2018			
	Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Lifetime ECL rate
Expected credit loss rate				
Provision for bad debts on the individual basis (i)	1,320,814	0.06%	(1,320,814)	100.00%
Provision for bad debts on the grouping basis				
Group C (ii)	<u>2,264,950,311</u>	<u>99.94%</u>	<u>(131,216,393)</u>	<u>5.79%</u>
	<u>2,266,271,125</u>	<u>100.00%</u>	<u>(132,537,207)</u>	<u>5.85%</u>

- (i) As at 31 December 2018, accounts receivable for which the related provision for bad debts is made on the individual basis are analysed as follows:

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

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

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

- (ii) Trade acceptance notes and accounts receivable that are subject to provision for bad debts on the grouping basis are analysed as follows:

	31 December 2018		
	Ending balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Within 1 year	2,123,004,590	5.00%	(106,150,230)
1 to 2 years	123,010,857	10.00%	(12,301,086)
2 to 3 years	7,147,776	30.00%	(2,144,333)
3 to 4 years	1,778,893	50.00%	(889,446)
4 to 5 years	1,384,483	80.00%	(1,107,586)
Over 5 years	8,623,712	100.00%	(8,623,712)
	<u>2,264,950,311</u>	<u>5.79%</u>	<u>(131,216,393)</u>

As at 31 December 2018, the Group's net profit will be reduced by RMB 9,194,451 if the lifetime ECL rate for each aging band increased by 10% with other factors remain unchanged. As at 1 January 2018, the Group's undistributed profits will be reduced by RMB 8,197,577, if the lifetime ECL rate for each aging band increased by 10%.

- (iii) The provision for bad debts in the current year amounted to RMB 12,969,158, and there are no reversal or written off of the Group's provision for bad debts for the current year.
- (d) As at 31 December 2018 and 2017, there are no accounts receivable pledged as collateral for the Group's borrowings.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (4) Advances to suppliers

The aging analysis of advances to suppliers is as follows:

	31 December 2018		31 December 2017	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	<b>81,694,054</b>	<b>100.00%</b>	79,591,581	100.00%

(a) As at 31 December 2018, the total amount of top five advances to suppliers is analysed as follows:

	Amount	% of total balance
Total amount of five largest advances to suppliers	29,112,591	35.64%

### (5) Other receivables

	31 December 2018	31 December 2017
Receivables and advances of agent business (i)	949,837,560	235,969,537
Loans provided to related parties and third parties (ii)	697,589,806	492,600,680
Receivables of port construction fees ("construction fees") (iii)	51,560,550	76,800,270
Deposits and guarantees	44,367,187	19,831,343
Interest receivables	33,998,967	34,368,536
Receivables of assets transfer (iv)	—	220,029,917
Others	42,329,320	37,136,713
	<b>1,819,683,390</b>	1,116,736,996
Less: Provision for bad debts	<b>(36,921,240)</b>	(52,642,907)
	<b>1,782,762,150</b>	1,064,094,089

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (5) Other receivables (Continued)

- (i) Receivables and advances of agent business are receivables from the Group's shipping agency business and advances to agent purchase of goods on behalf of the Group's clients.

As at 31 December 2018, factoring borrowings of RMB 23,778,780 (31 December 2017: RMB 7,980,000) acquired by the same amount of receivables of agent procurement under recourse factoring, which is not be derecognised (Note 4(20)).

- (ii) Loans provided to related parties and third parties were the short term entrusted loans provided by the Company and short term loans and buyer's credit loans provided by the Company's subsidiary, Qingdao Finance.
- (iii) Receivables of port construction fees represent port construction fee from customers collected on behalf in accordance with the Administrative Measures for the Collection and Use of Port Construction Fees jointly issued by the Ministry of Finance and the Ministry of Transport.
- (iv) As at 31 December 2017, the amount was mainly receivables arising from the transfer of terminal assets by the Group to Qingdao Port Dongjiakou Ore Terminal Co., Ltd. ("QDOT").

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

	Stage 1		Stage 3		Total
	ECL over the next 12 months		Lifetime ECL (Credit impairment has occurred)		
	Amount	Provision for bad debts	Amount	Provision for bad debts	
31 December 2017	1,106,396,218	(42,302,129)	10,340,778	(10,340,778)	(52,642,907)
Changes in accounting policies	—	—	—	—	—
1 January 2018	1,106,396,218	(42,302,129)	10,340,778	(10,340,778)	(52,642,907)
Increase in the current year	949,944,293	(3,748,296)	—	—	(3,748,296)
Reverse in the current year	(236,657,121)	9,129,185	—	—	9,129,185
Write-off in the current year	—	—	(10,340,778)	10,340,778	10,340,778
Including: write off in the current year	—	—	(10,340,778)	10,340,778	10,340,778
31 December 2018	1,819,683,390	(36,921,240)	—	—	(36,921,240)



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (5) Other receivables (Continued)

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

- (i) As at 31 December 2018, the provision for bad debts for other receivables in the Stage 1 are as follows:

	Amount	12-month ECL rate	Provision for bad debts	Reason
Provision on bad debts				
on the grouping basis:				
Group B	1,442,544,973	0.99%	(14,257,223)	i)
Group D	377,138,417	6.01%	(22,664,017)	ii)
	<u>1,819,683,390</u>		<u>(36,921,240)</u>	

- i) For loans provided and accounted for in other receivables, the Group measures the risks of loans mainly based on the “Probability of Default” of the customers to the agreed obligations and their financial position while taking consideration of the current credit exposure and future potential development trends. The Group strengthens the management in all stages of loans provision. Loans provided are continuously monitored and various factors that may affect the loan-related credit risk management processes are reviewed regularly; negative events that may have significant impact on the repayment capacity of the borrower are reported in a timely manner, with measures taken promptly, including adding guarantors or collaterals, so as to maximise the safety of assets and prevent and control risks; the repayment capacities with respect to the principal plus interest of the borrowers and potential borrowers are analysed on a regular basis; the credit limits are subject to adjustments when appropriate, and the credit risk exposure is managed as required. The Group assesses the expected credit losses by referring to the above methods for the payment of the customer’s payment in the agency business collection.
- ii) Other receivables that are subject to provision for bad debts on the grouping basis are analysed as follows:

	31 December 2018		
	Ending balance	Provision for bad debts	
	Amount	ECL rate for the next 12 months	Amount
Within 1 year	354,128,089	5.00%	(17,706,404)
1 to 2 years	14,232,569	10.00%	(1,423,257)
2 to 3 years	4,614,910	30.00%	(1,384,473)
3 to 4 years	3,972,721	50.00%	(1,986,361)
4 to 5 years	133,028	80.00%	(106,422)
Over 5 years	57,100	100.00%	(57,100)
	<u>377,138,417</u>	<u>6.01%</u>	<u>(22,664,017)</u>

- (ii) As at 31 December 2018, the Group does not have other receivables in Stage 2 and Stage 3.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (5) Other receivables (Continued)

- (b) The provisions for bad debts recognized in the current year amounted to RMB 3,748,296, and the reversal of provision for bad debts amounted to RMB 9,129,185, with corresponding ending balance of RMB 236,657,121, which was reversed for the amount of bad debt provision made on the grouping basis.
- (c) In the current year, other receivables of RMB 10,340,778 were written off, as well as corresponding provision for bad debts of RMB 10,340,778, are analysed as follows:

	Nature	Amount	Reason	Written off procedure	Whether it is generated by related party transactions
Agent Purchasing company	Receivables of agent business	<u>10,340,778</u>	Unrecoverable	Approved by Board of Directors	No

- (d) As at 31 December 2018, the top five other receivable are analysed as follows:

	Nature	Amount	Aging	% of total	Provision for bad debts
Qingdao Port International Finance Leasing Co., Ltd. ("Qingdao Leasing")	Loans, interest and others	579,728,252	Within 1 year	31.86%	(11,935,987)
Dongying Fangyuan Nonferrous Metal Co., Ltd.	Receivables of agent business	253,299,620	Within 1 year	13.92%	(639,582)
Qingdao New Qianwan Container Terminal Co., Ltd. ("QQCTN")	Loans, interest and others	92,015,098	Within 1 year	5.06%	(690,685)
Qingdao Zhongjiao Ruichi International Trade Co., Ltd.	Receivables of agent business	72,942,955	Within 1 year	4.01%	(204,068)
Qingdao Aojiaimei International Trade Co., Ltd.	Receivables of agent business	<u>43,069,292</u>	Within 1 year	<u>2.37%</u>	<u>(75,716)</u>
		<u>1,041,055,217</u>		<u>57.21%</u>	<u>(13,546,038)</u>

- (e) As at 31 December 2018 and 31 December 2017, the Group has no other receivables recognized in accordance with the government grants receivable.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (6) Inventories

(a) Inventories are summarised by categories as follows:

	31 December 2018			31 December 2017		
	Ending balance	Provision for decline in the value of inventories	Carrying amount	Ending balance	Provision for decline in the value of inventories	Carrying amount
Amount due from customers for construction contract (i)	—	—	—	451,715,248	—	451,715,248
Materials and finished goods	153,752,740	—	153,752,740	45,603,331	—	45,603,331
Spare parts	4,709,242	—	4,709,242	4,573,419	—	4,573,419
Fuel	3,958,862	—	3,958,862	4,876,866	—	4,876,866
Others	12,302,222	—	12,302,222	18,624,414	—	18,624,414
	<u>174,723,066</u>	<u>—</u>	<u>174,723,066</u>	<u>525,393,278</u>	<u>—</u>	<u>525,393,278</u>

(i) Amount due from customers for construction contract

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (6) Inventories (Continued)

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

	31 December 2017	Changes in accounting policies	1 January 2018	Increase in the current year	Decrease in the current year	31 December 2018
Amount due from customers for construction contract	451,715,248	(451,715,248)	—	—	—	—
Materials and finished goods	45,603,331	—	45,603,331	1,081,969,900	(973,820,491)	153,752,740
Spare parts	4,573,419	—	4,573,419	25,303,931	(25,168,108)	4,709,242
Fuel	4,876,866	—	4,876,866	338,439,742	(339,357,746)	3,958,862
Others	18,624,414	—	18,624,414	81,641,383	(87,963,575)	12,302,222
	<u>525,393,278</u>	<u>(451,715,248)</u>	<u>73,678,030</u>	<u>1,527,354,956</u>	<u>(1,426,309,920)</u>	<u>174,723,066</u>

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

### (7) Contract assets

	31 December 2018	31 December 2017
Contract assets (i)	302,144,963	—
Less: Provision for Contract assets (ii)	(21,172,441)	—
	<u>280,972,522</u>	<u>—</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (7) Contract assets (Continued)

- (i) Amount due from customers for construction contract

	<b>31 December 2018</b>	31 December 2017
Accumulated cost recognised	<b>2,094,531,050</b>	—
Add: Accumulated gross profits recognised	<b>202,099,764</b>	—
Less: Accumulated amounts settled	<b>(1,994,485,851)</b>	—
	<b>302,144,963</b>	—

- (ii) The Group measures the provision of contract assets based on the lifetime ECL regardless of whether there exists a significant financing component. As at 31 December 2018, the Group had no contract asset with provision for impairment on individual basis.

### (8) Other current assets

	<b>31 December 2018</b>	31 December 2017
Certificates of interbank deposits (i)	<b>2,379,192,650</b>	—
Financial assets held under resale agreement (ii)	<b>994,160,000</b>	—
VAT input to be deducted	<b>399,894,504</b>	394,843,059
Income certificates (iii)	<b>130,000,000</b>	—
VAT input to be verified	—	2,316,042
Available-for-sale financial assets (Note 4(9))	—	639,000,000
	<b>3,903,247,154</b>	1,036,159,101

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

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

- (i) The amounts were certificates of interbank deposits purchased by Qingdao Finance, a subsidiary of the Company, which were issued by Bank of Dongguan Co., Ltd., Industrial Bank Co., Ltd. and Xiamen Bank Co., Ltd.. Management held such deposit certificates for contractual cash flows as well as for sales. Therefore, such deposit certificates are classified as financial assets at fair value through other comprehensive income. The certificates of interbank deposits held by the Group have no significant credit risks and no significant credit losses due to bank default. As at 31 December 2018, the original value of the inter-bank deposit certificate was RMB 2,361,083,381, the changes of fair value through other comprehensive income was RMB 18,109,269.
- (ii) The amounts were corporate bonds and certificates of interbank deposits purchased from Ping An Bank Co., Ltd by Qingdao Finance, a subsidiary of the Company with the amounts of RMB 594,800,000, RMB 399,360,000 respectively. Such amounts will be resold to the above banks at the appointed time. Management held such assets for contract cash flows and the cash flow characteristics of the contract are consistent with the basic loan arrangement. Therefore, such assets were classified as financial assets measured at amortised cost. As assessed by the Group, financial assets held under resale agreement have no significant credit risks and no significant credit losses due to bank default.
- (iii) The income certificates were purchased by Qingdao Finance, a subsidiary of the Company, from the Pacific Securities Co., Ltd. with the amounts of RMB 80,000,000 and RMB 50,000,000 respectively. The Group held the amounts to collect contractual cash flows and the contractual cash flow characteristics were consistent with a basic loan arrangement. Therefore, they were classified as financial assets measured at amortised cost. As assessed by the Group, the income certificates have no significant credit risks and no significant credit losses due to bank default.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (9) Available-for-sale financial assets

	<b>31 December 2018</b>	31 December 2017
Measured at cost		
– Equity instruments available for sale (i)	—	72,207,877
Measured at fair value		
– Wealth management products (ii)	—	750,357,788
Less: Stated in other current asset's available-for-sale financial (Note 4(8))	—	(639,000,000)
	—	183,565,665

- (i) As at 31 December 2017, available-for-sale equity instruments equity investment measured at cost represent unlisted equity investments held by the Group in Shandong Binhai Hongrun Pipeline Logistics Co., Ltd. (“Binhai Hongrun Pipeline”), Sinopec Qingdao Liquefied Natural Gas Co., Ltd. (“LNG”) and Sanya Yalong Bay Development Co., Ltd. (“Sanya Yalong Bay”) with shareholding of 10%, 1% and 0.06% respectively, over which the Group has no control, joint control or significant influence. The equity investments mentioned above have no active market offer. The Group has no plan to dispose these investments. In 2017, the Company received cash dividend of RMB 58,500 from Sanya Yalong Bay.
- (ii) Available-for-sale financial assets measured at fair value are wealth management products issued by state-owned banks and other financial institutes purchased by the Group, in which wealth management products to be matured within one year are included in other current assets. As at 31 December 2017, the carrying amount approximated closed to the fair value. The fair values are based on cash flow discounted using the expected return and are within level 3 of the fair value hierarchy.

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (10) Long-term receivables

	<b>31 December 2018</b>	31 December 2017
Loans provided to related parties (i)	<b>2,035,653,884</b>	4,817,814,184
Less: Loans due within one year	<b>(383,189,720)</b>	(326,912,828)
Others	<b>1,720,653</b>	3,120,653
	<b>1,654,184,817</b>	4,494,022,009
Loan impairment provision	<b>(57,181,649)</b>	(106,420,355)
Less: Loans impairment provision due within one year	<b>9,077,313</b>	8,072,821
	<b>(48,104,336)</b>	(98,347,534)
	<b>1,606,080,481</b>	4,395,674,475

- (i) Loans to related parties include long-term entrusted loans provided by the Company, long-term loans provided by Qingdao Finance, a subsidiary of the Company, and long-term mortgage loans in the form of finance leases provided by Qingdao Port International Financial Leasing Co., Ltd. ("Qingdao Port Leasing"), an original subsidiary of the Company. The loans and related loan impairment provisions to be recovered within one year are presented as current portion of non-current assets.

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

	<b>Stage 1</b>	
	<b>ECL in the following 12 months</b>	
	<b>Amount</b>	<b>Provision for bad debt</b>
31 December 2017	4,820,934,837	(106,420,355)
Changes in accounting policies	—	—
1 January 2018	4,820,934,837	(106,420,355)
Reverse in the current year	<b>(2,783,560,300)</b>	49,238,706
31 December 2018	<b>2,037,374,537</b>	<b>(57,181,649)</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (10) Long-term receivables (Continued)

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

- (i) As at 31 December 2018, the analysis of provisions for long-term receivables in stage 1 are as follows:

	Amount	12-month ECL rate	Provision for bad debt	reason
Provision for bad debts on the grouping basis:				
Group B	2,035,653,884	2.81%	(57,181,649)	Note 4 (5)
Group D	1,720,653	0.00%	—	
	<u>2,037,374,537</u>		<u>(57,181,649)</u>	

- (ii) As at 31 December 2018, there are no long-term receivables in Stage 2 and Stage 3.

### (11) Long-term equity investments

	31 December 2018	31 December 2017
Joint ventures (a)	8,631,839,092	8,366,289,753
Associates (b)	193,417,721	171,951,976
	<u>8,825,256,813</u>	<u>8,538,241,729</u>

As at 31 December 2018, the Group's management considered there was no indication that the long-term equity investments may be impaired, therefore no provision for impairment was required (As at 31 December 2017: nil).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (a) Joint ventures

Investments in joint ventures are set out below:

	31 December 2017	Movements for the current year					31 December 2018
		Increase or decrease in investment	Share of net profit/(loss) under equity method	Share of other changes in equity	Cash dividends/ profit declared	Intra-group unrealised profit	
Qingdao Qianwan Container Terminal Co., Ltd. ("QQCT"(i))	5,246,181,955	—	825,475,633	7,299,559	(670,280,945)	(38,686,937)	5,369,989,265
Qingdao Shihua Crude Oil Terminal Co., Ltd. ("Qingdao Shihua")	1,338,717,412	—	339,055,854	—	(325,000,000)	4,889,261	1,357,662,527
Qingdao Qianwan West Port United Terminal Co., Ltd. ("West United") (ii)	353,556,285	—	27,163,494	—	—	(2,696,912)	378,022,867
Weihai Qingwei Container Terminal Co., Ltd. ("Qingwei Container")	145,523,653	—	22,958,309	—	(52,277,520)	—	116,204,442
Qingdao Evergreen Container Storage&Transportation Co., Ltd. ("Evergreen Container")	48,914,530	—	21,674,554	312,643	(20,209,427)	—	50,692,300
Qingdao Orient International Container Storage and Transportation Co., Ltd. ("Orient Container")	37,936,582	8,039,999	7,330,840	—	(7,670,278)	—	45,637,143
Qingdao Haiwan Liquid Chemical Port Operation Co., Ltd. ("Haiwan Liquid Chemical")	142,530,798	—	6,419,265	—	—	—	148,950,063
Qingdao Ganghai International Logistics Co., Ltd. ("Ganghai Logistics")	22,982,788	—	11,448,527	—	—	—	34,431,315
Qingdao Shenzhouxing International Transportation Co., Ltd. ("Shenzhouxing Cargo Agency")	19,288,912	—	13,750,947	—	(12,995,177)	—	20,044,682
China Shipping Agency (Qingdao) Co., Ltd. ("China Shipping Agency")	11,944,942	—	183,822	—	(3,660,357)	—	8,468,407
Qingdao United International Shipping Agency Co., Ltd. ("United Shipping Agency")	39,034,403	—	1,121,502	—	(11,574,739)	—	28,581,166

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

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

	31 December 2017	Movements for the current year				31 December 2018
		Increase or decrease in investment	Share of net profit/(loss) under equity method	Share of other changes in equity	Cash dividends/ profit declared	
Huaneng Qingdao Port Operation Co., Ltd. ("Huaneng Qingdao")	155,712,942	—	(14,346,352)	—	—	141,366,590
Qingdao Port Dongjiakou IMC Logistics Co., Ltd. ("Dongjiakou IMC Logistics") (iii)	56,602,809	—	13,748,908	—	—	70,351,717
QDOT	659,159,302	—	34,526,162	—	—	691,031,486
Qingdao Port Express Logistics (Linyi) Co., Ltd. ("Linyi Express")	4,015,328	—	128,185	—	—	4,143,513
Henan Yuqing International Logistics Co., Ltd. ("Henan Yuqing") (iv)	2,452,288	(2,452,288)	—	—	—	—
Sinotrans Qingdao Port Dongjiakou Logistics Co., Ltd. ("Dongjiakou Sinotrans Logistics")	49,152,134	—	1,459,842	—	(115,010)	50,496,966
Qingdao Port Yuntai Logistics Co., Ltd. ("Yuntai Logistics") (v)	13,023,984	(13,023,984)	—	—	—	—
Qingdao Port Lianrong Logistics Co., Ltd. ("Lianrong Logistics")	10,680,273	—	3,605,788	—	(5,700,001)	8,586,060
Binzhou Port QDP International Terminal Co., Ltd. ("Binzhou Port QDP International Terminal")	8,878,433	—	4,899,018	(443,928)	—	13,333,523
Qingdao PetroChina Storage Company Limited ("PetroChina Storage") (vi)	—	93,415,311	—	—	—	93,415,311
Ocean Bridge International Port Operation and Management Co., Ltd. ("Ocean Bridge International")	—	429,749	—	—	—	429,749
	<u>8,366,289,753</u>	<u>86,408,787</u>	<u>1,320,604,298</u>	<u>7,168,274</u>	<u>(1,109,483,454)</u>	<u>8,631,839,092</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

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

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

- (i) As stated in Note 1, the Company has issued 1,015,520,000 domestic shares to Shanghai China Shipping Terminal on 22 May 2017 at the subscription price of RMB 5.71 per share and the total subscription amounted to RMB 5,798,619,200. Shanghai China Shipping Terminal paid in cash of RMB 2,599,968,360 and 20% of its equity interest of QQCT evaluating as RMB 3,198,650,840. As at 30 June 2017, the Company holds 51% equity interest of QQCT. The Company can designate 6 out of 11 board members in QQCT. In accordance with the articles of association of QQCT, its significant financial and operating decisions should be passed at the Meeting of Board of Directors by at least 10 out of 11 directors. The Company still cannot unilaterally exercise control over QQCT, so QQCT is still accounted for as a joint venture.
- (ii) The Company holds 51% equity interest of West United. In accordance with the articles of association of West United, its significant financial and operating decisions should be passed at the Meeting of Board of Shareholders, but the Board of Directors is authorized to vote on the main business decisions. The Company can designate 3 out of 5 board members in West United. The major financial and operational decisions need to be approved by all directors. The Company cannot unilaterally exercise control over West United, therefore, West United is account for as a joint venture.
- (iii) The Company holds 51% equity interest of Dongjiakou IMC Logistics. In accordance with the articles of association of Dongjiakou IMC Logistics, its significant financial and operating decisions should be passed at the Meeting of Board of Directors. The Company can designate 4 out of 7 board members in Dongjiakou IMC Logistics. The major financial and operational decisions need to be approved by all directors. The Company cannot unilaterally exercise control over Dongjiakou IMC Logistics, therefore, West United is account for as a joint venture.
- (iv) Henan Yuqing was approved to be deregistered on November 15, 2018 by Zhengzhou Administration for Industry and Commerce, and the long-term equity investment was derecognised.
- (v) As at 10 January 2018, the Company acquired 60% equity interest of Yuntai Logistics from Qingdao Yuanchang Industrial Co., Ltd, which is paid in cash of RMB 23,035,440 through business combinations not under common control, related information please refer to Note 5(1).
- (vi) As at 10 July 2018, the company established a joint venture PetroChina Storage with PetroChina Fuel Oil Co., Ltd (“PetroChina Fuel Oil”), with a registered capital of RMB 300,000,000, holding 49% of the shares. According to PetroChina Storage’s articles of association, the highest authority of the company is the shareholders’ meeting. The significant business matters of PetroChina Storage need to be approved by all shareholders. Therefore PetroChina Storage is accounted for as a joint venture.

Interests in joint ventures are set out in Note 6(2).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (b) Associates

Investments in associates are set out below:

	31 December 2017	Movements for the current year			31 December 2018
		Increase in investment	Share of net profit/(loss) under equity method	Cash dividends/ profit declared	
Qingdao Ganghua Logistics Co., Ltd. ("Ganghua Logistics")	6,342,571	—	1,466,974	—	7,809,545
Qingdao Qingyin Financial Leasing Co., Ltd. ("Qingyin Financial Leasing")	90,616,208	—	3,705,800	—	94,322,008
Qingdao Port Lianhai International Logistics Co., Ltd. ("Lianhai Logistics") (i)	—	15,000,000	1,292,971	—	16,292,971
Vado Investment	74,993,197	—	—	—	74,993,197
	<u>171,951,976</u>	<u>15,000,000</u>	<u>6,465,745</u>	<u>—</u>	<u>193,417,721</u>

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

Information on equity in associates is set out in Note 6(2).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (12) Other non-current financial assets

	<b>31 December 2018</b>	31 December 2017
Investments in financial assets at fair value through profit or loss		
Financial bonds (i)	<b>135,372,690</b>	—
Equity investments (ii)	<b>72,207,877</b>	—
Non-principal-guaranteed floating income wealth management products (iii)	<b>61,000,000</b>	—
	<b>268,580,567</b>	—

- (i) Other non-current assets with a carrying amount of RMB 135,372,690 include the Tier 2 Capital Bonds (Tranche 1) for 2018 of Bank of China purchased by Qingdao Finance, and financial bonds (Tranche 5) for 2017 of China Development Bank. The Group manages such financial assets only for sale, so they are classified as financial assets at fair value through profit or loss. As the Group assessed, there is no significant credit risk associated with the amounts and does not expect that there will be any significant losses due to bank default.
- (ii) Equity investment with a carrying amount of RMB 72,207,877 represent unlisted equity investments held by the Group in Binhai Hongrun Pipeline, LNG and Sanya Yalong Bay with shareholding of 10%, 1% and 0.06% respectively, over which the Group has no control, joint control or significant influence. The Group has no plan to dispose these investments and they are measured at fair value through profit or loss. In 2018, the company received cash dividend of RMB 3,640,000 from LNG.
- (iii) Other non-current assets with a carrying amount of RMB 61,000,000 refer to the first tranche of the 2017 trust in property rights of corporate loan credit assets of Bank of Qingdao purchased by Qingdao Finance., measured at fair value through profit or loss, and the product is an unconsolidated structured entity by the Group. The total issue size of the first tranche of the 2017 trust in property rights of corporate loan credit assets of Bank of Qingdao was 2,000,297,920 units, with a total amount of RMB 2,000,297,920; the Group's maximum risk exposure to the product was the shares with a carrying amount of RMB 61,000,000 on the balance sheet date purchased by the Group. The Group has neither obligation nor intention to provide financial support to the product.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (13) Investment properties

	Buildings	Land use rights	Total
Cost			
31 December 2017	38,250,915	174,642,318	212,893,233
Transfer from intangible assets	—	469,616	469,616
31 December 2018	38,250,915	175,111,934	213,362,849
Accumulated depreciation			
31 December 2017	(5,205,943)	(14,390,845)	(19,596,788)
Increase in the current year	(1,357,425)	(3,566,739)	(4,924,164)
Transfer from intangible assets	—	(5,321)	(5,321)
31 December 2018	(6,563,368)	(17,962,905)	(24,526,273)
Net book value			
31 December 2018	31,687,547	157,149,029	188,836,576
31 December 2017	33,044,972	160,251,473	193,296,445

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

In 2018, no interest expenses were capitalised in investment properties by the Company.

As at 31 December 2018, investment properties with the net book value of RMB 1,818,014 (cost of RMB 1,948,060) (31 December 2017: the net book value of RMB 2,881,264 and cost of RMB 3,096,458) are without certificates due to the mismatch of land and properties.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (14) Fixed assets

	Buildings	Terminal facilities	Storage facilities	Loading equipment	Machinery and equipment	Vessels	Motor vehicles	Communication facilities	Office equipment and others	Total
Cost										
31 December 2017	555,161,789	8,998,502,836	4,574,463,013	2,840,054,764	720,039,691	1,374,408,363	98,996,201	142,844,090	66,342,414	19,370,813,161
Business combinations involving enterprises not under common control (i)	—	—	—	17,257,323	22,816	—	456,450	—	16,683	17,753,272
Transfer from construction in progress	30,115,537	600,776,932	651,346,308	6,907,014	30,843,330	—	—	9,755,124	59,442	1,329,803,687
Purchase in the current year	1,345,782	887,119	1,295,838	71,400,475	50,737,310	189,767,762	16,982,148	8,660,700	6,712,652	347,789,786
Decrease in the current year	—	—	—	(25,681,570)	(2,468,763)	—	(1,120,361)	(1,039,555)	(848,093)	(31,158,342)
31 December 2018	<u>586,623,108</u>	<u>9,600,166,887</u>	<u>5,227,105,159</u>	<u>2,909,938,006</u>	<u>799,174,384</u>	<u>1,564,176,125</u>	<u>115,314,438</u>	<u>160,220,359</u>	<u>72,283,098</u>	<u>21,035,001,564</u>
Accumulated depreciation										
31 December 2017	(189,178,404)	(1,877,459,838)	(688,682,876)	(2,299,613,484)	(526,368,525)	(566,474,760)	(71,488,108)	(82,702,491)	(34,188,972)	(6,336,157,458)
Increase in the current year	(21,296,386)	(236,185,035)	(161,067,264)	(126,105,735)	(48,726,306)	(61,308,082)	(8,269,968)	(18,765,545)	(3,377,337)	(685,101,658)
Decrease in the current year	—	—	—	22,661,515	2,188,690	—	498,448	964,950	803,526	27,117,129
31 December 2018	<u>(210,474,790)</u>	<u>(2,113,644,873)</u>	<u>(849,750,140)</u>	<u>(2,403,057,704)</u>	<u>(572,906,141)</u>	<u>(627,782,842)</u>	<u>(79,259,628)</u>	<u>(100,503,086)</u>	<u>(36,762,783)</u>	<u>(6,994,141,987)</u>
Net book value										
31 December 2018	<u>376,148,318</u>	<u>7,486,522,014</u>	<u>4,377,355,019</u>	<u>506,880,302</u>	<u>226,268,243</u>	<u>936,393,283</u>	<u>36,054,810</u>	<u>59,717,273</u>	<u>35,520,315</u>	<u>14,040,859,577</u>
31 December 2017	<u>365,983,385</u>	<u>7,121,042,998</u>	<u>3,885,780,137</u>	<u>540,441,280</u>	<u>193,671,166</u>	<u>807,933,603</u>	<u>27,508,093</u>	<u>60,141,599</u>	<u>32,153,442</u>	<u>13,034,655,703</u>

The Group obtained 60% equity interest of Yuntai Logistics on 10 January 2018. Yuntai Logistics became a wholly-owned subsidiary of the Group, and fixed assets RMB 17,753,272 of Yuntai Logistics were recorded at the fair value of the purchase date (Note 5 (1) (c))

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (14) Fixed assets (Continued)

As at 31 December 2018 there is no fixed assets under mortgage in the Group (For the year ended 31 December 2017: nil).

The depreciation amount for fixed assets in 2018 is RMB 685,101,658 (For the year ended 31 December 2017: RMB 588,299,254). The amounts of depreciation expenses charged to cost of sales and general administrative expenses were RMB 664,293,326 and RMB 20,808,332 respectively (For the year ended 31 December 2017: RMB 564,533,782 and RMB 23,765,472).

In 2018, fixed assets transferred from construction in progress amounted to RMB 1,329,803,687 (For the year ended 31 December 2017: RMB 2,022,195,871).

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

- (i) As at 31 December 2018, there were no temporarily idle fixed assets (As at 31 December 2017: nil).
- (ii) fixed assets under finance lease

As at 31 December 2018, the fixed assets with the net book value of RMB 490,439,189 (cost of RMB 550,962,650) (31 December 2017: the net book value of RMB 331,928,804 and cost of RMB 367,561,627) were held under a finance lease (Note 13). The details are as follows:

	Cost	Accumulated depreciation	impairment provision	Net book value
<b>31 December 2018</b>				
Terminal facilities	267,891,846	(16,021,206)	—	251,870,640
Storage facilities	55,613,607	(703,778)	—	54,909,829
Loading equipment	136,017,542	(43,798,477)	—	92,219,065
Vessels	91,439,655	—	—	91,439,655
	<u>550,962,650</u>	<u>(60,523,461)</u>	—	<u>490,439,189</u>
<b>31 December 2017</b>				
Terminal facilities	226,928,592	(3,575,424)	—	223,353,168
Storage facilities	10,996,527	(175,944)	—	10,820,583
Loading equipment	129,636,508	(31,881,455)	—	97,755,053
	<u>367,561,627</u>	<u>(35,632,823)</u>	—	<u>331,928,804</u>

As at 31 December 2018, the construction in progress with a carrying amount of RMB 56,593,630 (31 December 2017: a carrying amount of RMB 116,711,359) was purchased under a finance lease contract with Qingdao Leasing.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (14) Fixed assets (Continued)

(iii) As at 31 December 2018, properties with a carrying amount of RMB 9,446,212 were without certificates due to locating on lands that do not belong to the Group.

As at 31 December 2017, properties with a carrying amount of RMB 91,190,556 were without certificates due to newly built, newly purchased or locating on lands that do not belong to the Group.

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

<b>31 December 2018</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net book value</b>
Terminal facilities	2,187,267,266	(299,302,122)	1,887,965,144
Storage facilities	924,917,846	(114,236,862)	810,680,984
Buildings	26,984,361	(6,628,760)	20,355,601
Other equipment	93,923	(86,194)	7,729
	<u>3,139,263,396</u>	<u>(420,253,938)</u>	<u>2,719,009,458</u>

31 December 2017	Cost	Accumulated depreciation	Net book value
Terminal facilities	2,187,267,266	(236,306,055)	1,950,961,211
Storage facilities	924,917,846	(90,379,628)	834,538,218
Buildings	26,984,361	(5,303,008)	21,681,353
Other equipment	93,923	(86,194)	7,729
	<u>3,139,263,396</u>	<u>(332,074,885)</u>	<u>2,807,188,511</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (15) Construction in progress

	31 December 2018			31 December 2017		
	carrying amount	impairment provision	Net book value	carrying amount	impairment provision	Net book value
Dongjiakou stevedoring, storage and transportation projects for liquid bulk cargo	1,159,351,667	—	1,159,351,667	1,333,039,064	—	1,333,039,064
Dongjiakou bulk cargo berths and storage yard project	786,900,531	—	786,900,531	778,185,935	—	778,185,935
Other projects	151,560,642	—	151,560,642	52,761,569	—	52,761,569
	<u>2,097,812,840</u>	<u>—</u>	<u>2,097,812,840</u>	<u>2,163,986,568</u>	<u>—</u>	<u>2,163,986,568</u>

#### (i) Changes of major projects

Project name	31 December budget	31 December 2017	Increase in		Transfer to intangible assets	31 December 2018	percentage of project investment among budget	Progress of the project	Accumulative amount of capitalised borrowing costs	Including: Borrowing capitalised in current period	Capitalisation rate in the current Period	Sources of capital
			the current period	Transfer to fixed assets								
Dongjiakou stevedoring, storage and transportation projects for liquid bulk cargo	6,639,654,615	1,333,039,064	979,044,519	(1,152,731,916)	—	1,159,351,667	61%	61%	3,942,351	3,942,351	5.27%	Internal capital, bank loan
Dongjiakou bulk cargo berths and storage yard project	1,683,790,883	778,185,935	139,493,250	(130,778,654)	—	786,900,531	72%	72%	29,748,381	1,154,853	4.90%	Internal capital, bank loan
Other projects	261,067,726	52,761,569	145,092,190	(46,293,117)	—	151,560,642	83%	83%	—	—	—	—
	<u>2,163,986,568</u>	<u>1,263,629,959</u>	<u>1,263,629,959</u>	<u>(1,329,803,687)</u>	<u>—</u>	<u>2,097,812,840</u>			<u>33,690,732</u>	<u>5,097,204</u>		

As at 31 December 2018, the management of the Group considered there was no indication that the Construction in progress may be impaired, therefore no provision for impairment was recorded (31 December 2017: nil).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (16) Intangible assets

	Land use rights	Software	Sea area use rights	Others	Total
Cost					
31 December 2017	827,644,325	57,148,657	116,297,540	50,178,663	1,051,269,185
Increase in the current period					
Purchase	1,229,039,804	4,036,676	—	—	1,233,076,480
Internal R&D	—	33,975,618	—	—	33,975,618
Transfer from construction in progress	—	—	—	—	—
Business combinations not under common control	—	99,057	—	—	99,057
Decrease in the current period					
Transfer to investment property	(469,616)	—	—	—	(469,616)
contribute with intangible assets	(69,566,373)	—	—	—	(69,566,373)
31 December 2018	1,986,648,140	95,260,008	116,297,540	50,178,663	2,248,384,351
Accumulated amortisation					
31 December 2017	(57,048,044)	(33,807,597)	(6,125,830)	(32,263,558)	(129,245,029)
Increase in the current period					
Provision	(36,054,085)	(10,307,760)	(2,965,965)	(3,006,250)	(52,334,060)
Decrease in the current period					
Transfer to investment property	5,321	—	—	—	5,321
contribute with intangible assets	3,043,491	—	—	—	3,043,491
31 December 2018	(90,053,317)	(44,115,357)	(9,091,795)	(35,269,808)	(178,530,277)
Book value					
31 December 2018	1,896,594,823	51,144,651	107,205,745	14,908,855	2,069,854,074
31 December 2017	770,596,281	23,341,060	110,171,710	17,915,105	922,024,156

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (16) Intangible assets (Continued)

In 2018, the amortisation of intangible assets amounted to RMB 52,334,060 (In 2017: RMB 27,972,136).

In 2018, the amortisation cost of land use rights included in construction in progress was RMB 902,466 (In 2017: RMB 1,136,979).

As at 31 December 2018, the Group had no land use rights without certificates (As at 31 December 2017, the land use right with the net book value of RMB 10,236,769 and cost of RMB 10,348,165 was without certificates due to newly purchase).

As at 31 December 2018, there are no pledged land use rights (As at 31 December 2017: nil).

As at 31 December 2018, the management of the Group considered that there was no indication of impairment of intangible assets, and therefore no provision for impairment was required (As at 31 December 2017: nil).

The Group's development expenses are as follows:

	31 December 2017	Increase in current period	Decrease in current period		31 December 2018
			Recorded in profit and loss	Recognised as intangible assets	
software	—	52,897,352	(18,921,734)	(33,975,618)	—
patented technology	—	9,196,987	(9,196,987)	—	—
other	—	11,609,475	(11,609,475)	—	—
	—	73,703,814	(39,728,196)	(33,975,618)	—

In 2018, the Group's R&D expenses amounted to RMB 73,703,814 (2017: RMB 19,704,505), of which, RMB 39,728,196 (2017: RMB 19,704,505) was recognised in profit and loss for the current period and RMB 33,975,618 (2017: nil) was recognised as intangible assets. As at 31 December 2018, the intangible assets developed by the Group accounted for 1.64% (31 December 2017: nil) of the carrying amount of the total intangible assets.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (17) Provision for asset impairment

	31 December 2017	Changes in accounting policies	1 January 2018	Increase in the current period	Decrease in the current period		31 December 2018
					Reversal	Write-off	
Provision for bad debts of notes receivables and accounts receivables	119,568,049	—	119,568,049	12,969,158	—	—	<b>132,537,207</b>
Including: Provision for bad debts on the individual basis	1,320,814	—	1,320,814	—	—	—	<b>1,320,814</b>
Provision for bad debts on the grouping basis	118,247,235	—	118,247,235	12,969,158	—	—	<b>131,216,393</b>
Provision for bad debts of other receivables	52,642,907	—	52,642,907	3,748,296	(9,129,185)	(10,340,778)	<b>36,921,240</b>
Including: Provision for bad debts on the individual basis	10,340,778	—	10,340,778	—	—	(10,340,778)	—
Provision for bad debts on the grouping basis	42,302,129	—	42,302,129	—	(5,380,889)	—	<b>36,921,240</b>
Provision for bad debts of long-term receivables	106,420,355	—	106,420,355	—	(49,238,706)	—	<b>57,181,649</b>
Provision for bad debts of contract assets	—	22,585,763	22,585,763	—	(1,413,322)	—	<b>21,172,441</b>
	278,631,311	22,585,763	301,217,074	16,717,454	(59,781,213)	(10,340,778)	<b>247,812,537</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (a) Deferred tax assets without offsetting

	31 December 2018		31 December 2017	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Assets revaluation surplus	2,937,993,264	734,498,316	2,996,953,644	749,238,411
Early retirement benefits	85,930,000	21,482,500	109,490,000	27,372,500
Elimination of intra-group unrealised profit	327,699,192	81,924,798	264,077,660	66,019,415
Provision for asset impairment	263,109,929	66,777,712	265,972,940	66,672,873
Accrued expenses	66,678,896	16,669,724	28,931,601	7,232,900
Deductible losses	13,593,676	3,398,419	13,636,280	3,409,070
Government grant	71,545,404	17,886,351	—	—
	<u>3,766,550,361</u>	<u>942,637,820</u>	<u>3,679,062,125</u>	<u>919,945,169</u>
Including:				
Expected to be recovered within one year (inclusive)		38,164,745		37,205,607
Expected to be recovered after one year		<u>904,473,075</u>		<u>882,739,562</u>
		<u>942,637,820</u>		<u>919,945,169</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (b) Deferred tax liabilities without offsetting

	31 December 2018		31 December 2017	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Business combinations involving enterprises not under common control	90,947,168	22,736,792	92,712,584	23,178,146
One-time deduction of fixed asset purchase	40,565,466	9,788,926	—	—
Changes in fair value of wealth management products	5,014,902	1,253,726	—	—
	<u>136,527,536</u>	<u>33,779,444</u>	<u>92,712,584</u>	<u>23,178,146</u>
Including:				
Expected to be recovered within one year (inclusive)		3,205,792		624,317
Expected to be recovered after one year		<u>30,573,652</u>		<u>22,553,829</u>
		<u>33,779,444</u>		<u>23,178,146</u>

#### (c) Deductible temporary differences and deductible losses that are not recognised as deferred tax assets are analysed as follows:

	31 December 2018	31 December 2017
Deductible losses	<u>113,160,166</u>	<u>50,027,355</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

(d) Deductible losses that are not recognised as deferred tax assets will expire in the following years:

	<b>31 December 2018</b>	31 December 2017
2019	—	—
2020	—	—
2021	<b>10,083,203</b>	10,083,203
2022	<b>39,944,152</b>	39,944,152
2023	<b>63,132,811</b>	—
	<b><u>113,160,166</u></b>	<u>50,027,355</u>

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

	<b>31 December 2018</b>		31 December 2017	
	<b>Offsetting amount</b>	<b>Amount after offsetting</b>	Offsetting amount	Amount after offsetting
Deferred tax assets	<b>(33,779,444)</b>	<b>908,858,376</b>	(23,178,146)	896,767,023
Deferred tax Liability	<b>(33,779,444)</b>	—	(23,178,146)	—

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (19) Non-current asset

	<b>31 December 2018</b>	31 December 2017
Taxes of prepaid for port facilities rental income (i)	<b>176,355,137</b>	187,965,580
Less: Current portion	<b>(11,632,329)</b>	(11,806,865)
Foundation oil (ii)	<b>154,048,708</b>	206,739,409
Construction and equipment expenditures prepaid	<b>22,357,252</b>	91,371,443
	<b><u>341,128,768</u></b>	<u>474,269,567</u>

- (i) The Group lease out certain land use rights, terminal facilities, storage facilities and other assets (collectively “Port Facilities”) in Qianwan Port Area to QQCT, a joint venture of the Group with a lease term of 30 years. By the end of 2010, the Group had received the rental payments in full. The Group calculates the taxes and surcharges relating to the amounts received and recorded them as other non-current assets, and the current portion of which is presented as the current portion of non-current assets. The amount of taxes paid has been amortized to the tax and the business tax items according to rental income recognized in each period.
- (ii) The Company’s subsidiary, Weifang Port Lianhua Storage Co., Ltd. (“Weifang Port Lianhua”), Qingdao Haiye Mercuria Storage Co., Ltd. (“Mercuria Storage”) and Dongying Port Lianhua Storage Co., Ltd. (“Dongying Port Lianhua”) purchased some crude oil for the purpose of production and filled in the crude oil pipeline and tanks, so as to ensure the precision of oil product metering and increase the tank pressure for production safety.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (20) Short-term borrowings

	Currency	31 December 2018	31 December 2017
unsecured borrowings	RMB	98,080,000	20,000,000
unsecured borrowings	USD	8,218,594	—
secured borrowings	USD	36,634,830	—
secured borrowings	RMB	23,778,780	29,145,445
secured borrowings	JPY	—	7,540,000
		<b>166,712,204</b>	<b>56,685,445</b>

- (a) As at 31 December 2018, unsecured RMB borrowings of RMB 98,080,000 and USD borrowings of RMB 8,218,594 were both obtained by Qingdao Port International Trade Logistics Co., Ltd. (“International Trade Logistics”); secured USD borrowings of RMB 36,634,830 was obtained by International Trade Logistics with Bill Advance under Letters of Credit; secured borrowing of RMB 23,778,780 was the factoring borrowing pledged with other receivables by International Trade Logistics.

As at 31 December 2017, unsecured borrowings of RMB 20,000,000 was obtained by International Trade Logistics; unsecured borrowings of RMB 29,145,445 was the repurchased rediscount of the bank acceptance notes of RMB 21,165,445 applied by Qingdao Finance to the People’s Bank of China, and factoring borrowings of RMB 7,980,000 pledged with accounts receivable by International Trade Logistics, secured borrowing of JPY 7,540,000 was pledged by letters of credit by International Trade Logistics.

- (b) As at 31 December 2018, the interest rate range of short-term borrowings was 4.60% to 7.00% (31 December 2017: 2.25% to 7.00%).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (21) Notes payable and accounts payable

	<b>31 December 2018</b>	31 December 2017
Notes payable (a)	<b>957,024,876</b>	882,183,561
Accounts payable (b)	<b>1,581,607,319</b>	1,517,605,961
	<b><u>2,538,632,195</u></b>	<b><u>2,399,789,522</u></b>

#### (a) Notes payable

	<b>31 December 2018</b>	31 December 2017
Trade acceptance notes	<b>712,240,208</b>	419,372,345
Bank acceptance notes	<b>244,784,668</b>	462,811,216
	<b><u>957,024,876</u></b>	<b><u>882,183,561</u></b>

As at 31 December 2018, the Group has no pledged acceptance notes (31 December 2017: RMB 13,000,000 were issued with bank acceptance notes receivable of the same amount as collateral) (Note 4 (3)).

#### (b) Accounts payable

	<b>31 December 2018</b>	31 December 2017
Material expenses payable	<b>560,072,181</b>	440,443,145
Transportation expenses payable	<b>376,983,361</b>	284,853,656
Subcontract costs payable	<b>235,583,010</b>	441,499,727
Subcontract handling expenses payable	<b>170,869,837</b>	190,675,922
Logistics fee payable	<b>121,644,081</b>	82,728,027
Repair expenses payable	<b>33,305,281</b>	5,392,658
Rental expenses payable	<b>18,801,715</b>	3,840,407
other	<b>64,347,853</b>	68,172,419
	<b><u>1,581,607,319</u></b>	<b><u>1,517,605,961</u></b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (21) Notes payable and accounts payable (Continued)

#### (b) Accounts payable (Continued)

- (i) As at 31 December 2018, accounts payable over one year amounted to RMB 163,561,153 (31 December 2017: RMB 214,473,877), which were mainly include subcontract costs payable for unsettled constructions.
- (ii) The ageing of accounts payable based on their recording dates is analysed as follows:

	<b>31 December 2018</b>	31 December 2017
Within 1 year	<b>1,418,046,166</b>	1,303,132,084
Over 1 year	<b>163,561,153</b>	214,473,877
	<b><u>1,581,607,319</u></b>	<u>1,517,605,961</u>

### (22) Advances from customers

	<b>31 December 2018</b>	31 December 2017
Rental advances	<b>209,454,071</b>	208,981,342
Logistic fee received in advance	—	60,141,946
Loading fee received in advance	—	35,185,908
Construction fee received in advance	—	5,025,969
Transportation fee received in advance	—	3,231,314
Others	—	25,550,036
	<b><u>209,454,071</u></b>	<u>338,116,515</u>

As at 31 December 2018 and 2017, the ageing of advances from customers was within 1 year.

According to the new revenue standards, if the contract amount received by the Group exceeds the services provided, the difference is recognised as contract liabilities (Note 2(30)(c), Note 4(23)).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (23) Contract Liabilities

	<b>31 December 2018</b>	31 December 2017
Logistic fee received in advance	<b>67,106,406</b>	—
Loading fee received in advance	<b>48,193,391</b>	—
Construction fee received in advance	<b>12,573,598</b>	—
Transportation fee received in advance	<b>1,655,230</b>	—
Others	<b>5,435,465</b>	—
	<b>134,964,090</b>	—

As at 1 January 2018, the balance of the Group's contract liabilities amounted to RMB 129,135,173, all of which has been recognised into revenue in 2018.

### (24) Employee benefits payable

	<b>31 December 2018</b>	31 December 2017
Short-term employee benefits payable (a)	<b>119,844,885</b>	88,457,970
Defined contribution plans payable (b)	<b>2,983,055</b>	3,122,611
Termination benefits payable (c)	<b>16,370,000</b>	22,160,000
Defined benefit plans payable (d)	<b>112,150,000</b>	110,650,000
	<b>251,347,940</b>	224,390,581

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (24) Employee benefits payable (Continued)

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

	31 December 2017	Increase in the current period	Decrease in the current period	31 December 2018
Wages and salaries, bonus, allowances and subsidies	70,277,346	975,041,953	(957,298,305)	<b>88,020,994</b>
Employee welfare	—	129,146,580	(129,113,675)	<b>32,905</b>
Social security contributions	1,469	97,404,878	(97,374,532)	<b>31,815</b>
Including: Medical insurance	1,272	83,913,020	(83,884,278)	<b>30,014</b>
Work injury insurance	251	4,779,035	(4,777,691)	<b>1,595</b>
Maternity insurance	(54)	8,712,823	(8,712,563)	<b>206</b>
Housing fund	9,340	96,340,800	(96,341,025)	<b>9,115</b>
Labour union funds and employee education funds	6,028,680	21,994,053	(21,738,691)	<b>6,284,042</b>
Outsourcing costs	12,141,135	404,187,762	(390,870,783)	<b>25,458,114</b>
Others	—	1,299,015	(1,291,115)	<b>7,900</b>
	<u>88,457,970</u>	<u>1,725,415,041</u>	<u>(1,694,028,126)</u>	<u><b>119,844,885</b></u>

#### (b) Defined contribution plans

	31 December 2017	Increase in the current period	Decrease in the current period	31 December 2018
Basic pensions	2,544	138,114,025	(138,105,939)	<b>10,630</b>
Unemployment insurance	142	5,796,344	(5,795,741)	<b>745</b>
Enterprise annuity	3,119,925	39,691,611	(39,839,856)	<b>2,971,680</b>
	<u>3,122,611</u>	<u>183,601,980</u>	<u>(183,741,536)</u>	<u><b>2,983,055</b></u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (24) Employee benefits payable (Continued)

#### (c) Termination benefits payable

	<b>31 December 2018</b>	31 December 2017
Early retirement benefits payable (Current portion)	<b><u>16,370,000</u></b>	<u>22,160,000</u>

Early retirement benefits borne by the Group are recognised as long-term employee benefits payable (Note 4(31)), the current portion of which is presented as employee benefits payable.

#### (d) Defined benefit plan

	<b>31 December 2018</b>	31 December 2017
Supplemental retirement benefits (Current portion)	<b><u>112,150,000</u></b>	<u>110,650,000</u>

Supplemental retirement benefits borne by the Group are recognised as long-term employee benefits payable (Note 4(31)), the current portion of which is presented as employee benefits payable.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (25) Taxes payable

	<b>31 December 2018</b>	31 December 2017
Enterprise income tax payable	<b>166,015,173</b>	122,212,876
Unpaid VAT	<b>21,052,542</b>	57,033,833
Land use tax payable	<b>14,641,938</b>	11,031,296
Property tax payable	<b>2,135,451</b>	2,343,782
Individual income tax payable	<b>1,492,664</b>	3,866,543
Stamp duty payable	<b>1,322,353</b>	1,155,051
Others	<b>2,654,486</b>	8,483,927
	<b>209,314,607</b>	206,127,308

### (26) Other payables

	<b>31 December 2018</b>	31 December 2017
Customer deposits by Qingdao Finance (i)	<b>3,923,373,004</b>	8,225,623,295
Construction and equipment expenditures payable (ii)	<b>1,196,352,044</b>	1,281,047,075
Receivables and advances of agent business (iii)	<b>497,188,343</b>	51,568,200
Guarantees and deposits payable	<b>85,357,605</b>	100,889,201
Interest on bonds payable	<b>68,850,982</b>	68,850,982
Port construction fees payable (iv)	<b>66,692,221</b>	63,406,164
Borrowings payable to minority shareholders	<b>28,000,000</b>	—
Interest payable to customer deposits	<b>11,456,496</b>	29,703,202
Rail freight paid on behalf	<b>9,631,070</b>	501,545
Dividends payable to minority shareholders	<b>1,976,706</b>	—
Interest payable on borrowings	<b>1,422,802</b>	1,021,819
Others	<b>64,648,268</b>	54,402,983
	<b>5,954,949,541</b>	9,877,014,466

- (i) Customer deposits are primarily taken by Qingdao Finance from the Group's related parties.
- (ii) Construction and equipment expenditures payable are mainly payables for project construction, which remain outstanding as relevant projects have not been completed.
- (iii) Receivables and advances of agent business are paid on behalf are amounts paid on behalf by the Group relating to shipping agency business, agent procurement and other businesses.
- (iv) Port construction fees are collected by the Group on behalf and will be paid to Qingdao Maritime Safety Administration of the PRC.
- (a) As at 31 December 2018, other payables over 1 year of RMB 199,525,780 (31 December 2017: RMB 384,801,158) were mainly construction and equipment expenditures payable which have not been settled as are not due.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (27) Long-term borrowings

	Currency	31 December 2018	31 December 2017
Unsecured	RMB	112,540,687	137,390,687
Unsecured	EUR	75,632,301	75,632,301
Less: Current portion		(27,380,000)	(24,850,000)
		<b>160,792,988</b>	<b>188,172,988</b>

As at 31 December 2018, interest rate of the long-term borrowings ranges from 2.9% to 4.9% (31 December 2017: 2.6% to 4.9%).

### (28) Bonds payable

	31 December 2017	Issued in the current period	31 December 2018
Corporate bonds payable	3,500,000,000	—	3,500,000,000
Less: Current portion	—	—	(3,500,000,000)
	<b>3,500,000,000</b>	<b>—</b>	<b>—</b>

Information about bonds are as follows:

	Par value	Date of issue	Maturity date of bond	Issuing value of bond
Corporate bonds payable	1,500,000,000	18 March 2016	5-year	1,500,000,000
Corporate bonds payable	2,000,000,000	8 June 2016	5-year	2,000,000,000

Approved by China Securities Regulatory Commission, China Securities Regulatory Commission [2016] No. 153, the company issued the first phase of corporate bonds of RMB 1.5 billion and the second phase of corporate bonds of RMB 2 billion on 18 March 2016 and 8 June 8 2016 respectively. The above-mentioned bond has a maturity period of 5 years with the option of raising the coupon rate and the investor's option to sell back at the end of the third year. If the investor does not register for resale within the resale registration period, the bond maturity period is 5 years. The interest rate is calculated on a yearly basis, with a fixed annual interest rate of 2.90% and 3.09% respectively. Please refer to the resale information after the balance sheet date to Note12(1).

As at 31 December 2018, the ending balance of bonds payable was RMB 3,500,000,000 (31 December 2017: RMB 3,500,000,000), of which RMB 3,500,000,000 was reclassified to non-current liabilities due within one year (31 December 2017: nil).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (29) Long-term payables

	<b>31 December 2018</b>	31 December 2017
Collection and payment of welfare expenses on behalf of Qingdao Port Group	<b>44,619,933</b>	53,058,045
Less: Current portion of welfare expenses	<b>(2,610,000)</b>	(2,610,000)
Payables to Qingdao Port Leasing Company (i)	<b>555,130,898</b>	540,244,451
Less: Current portion	<b>(66,414,520)</b>	(11,262,064)
Finance lease payables to third parties	<b>2,134,186</b>	4,207,684
Less: Current portion	<b>(2,134,186)</b>	(2,073,499)
Other	<b>53,000</b>	106,000
	<b><u>530,779,311</u></b>	<u>581,670,617</u>

- (i) Payables to Qingdao Port Leasing Company is the amount payable for the purchase of asset through Qingdao Leasing in the form of a finance lease by the Company and its subsidiaries, Shandong Port Lianhua Pipeline Oil Transport Co., Ltd. ("Lianhua Pipeline"), Weifang Port Lianhua, Dongying Port Lianhua, Datang Port and Mercuria Logistics.

### (30) Deferred revenue

	31 December 2017	Increase in current period	Decrease in current period	31 December 2018	Reason
Government grant(a)	<u>139,299,471</u>	<u>71,590,629</u>	<u>(5,059,669)</u>	<u>205,830,431</u>	Support funds for Jimo port project, special subsidy for shore power projects



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (30) Deferred revenue (Continued)

#### (a) Government grant

	31 December 2017	Increase in current period	Recorded in other income in current period	Recorded in other- operating income in current period	31 December 2018	Related to assets/ related to income
Special funds for outer channel (i)	135,275,920	—	(3,914,444)	—	131,361,476	Related to assets
Special support fund (ii)	—	66,570,629	—	—	66,570,629	Related to assets
Special subsidy for shore power projects (iii)	—	5,020,000	(45,225)	—	4,974,775	Related to assets
Special funds for science and technology	3,291,667	—	—	(500,000)	2,791,667	Related to income
Others	731,884	—	—	(600,000)	131,884	Related to income
	<u>139,299,471</u>	<u>71,590,629</u>	<u>(3,959,669)</u>	<u>(1,100,000)</u>	<u>205,830,431</u>	

- (i) Special funds for outer channel are granted by the Ministry of Transport and the Ministry of Finance to the Group to be used for outer channel expansion project, and are recognised into profit or loss on a straight-line basis over the useful lives of the asset.
- (ii) The special support fund is the project support fund received by Jimo Logistics from the Jimo District Government of Qingdao according to the “Qingdao Port Jimo Port Investment Project Policy Support Agreement”.
- (iii) Special subsidy for shore power projects amount of RMB 5,020,000 is granted by the Ministry of Transport and the Ministry of Finance to berth shore power projects.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

	<b>31 December 2018</b>	31 December 2017
Early retirement benefits payable (a)	<b>85,930,000</b>	109,490,000
Supplemental retirement benefits (b)	<b>2,540,220,000</b>	2,380,610,000
Less: Payable within one year	<b>(128,520,000)</b>	(132,810,000)
	<b><u>2,497,630,000</u></b>	<u>2,357,290,000</u>

Early retirement benefits represent the Group's actuarial assumptions of early retirement benefits to be paid for the early retired employees from the off-duty date to the normal retirement date by discounting the expected future cash outflows using the interest rate of government bonds that have terms to maturity approximating to the terms of the early retirement benefits and are recognised as liabilities. Supplemental retirement benefits represent the Group's actuarial assumptions of benefits to be paid by discounting the expected future cash outflows using interest rate of government bonds that have terms to maturity approximating to the terms of the supplemental retirement benefits and are recognised as liabilities.

Early retirement benefits payable within one year are included in employee benefits payable.

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

	<b>31 December 2018</b>	31 December 2017
Early retirement benefits	<b>85,930,000</b>	109,490,000
Less: Current portion	<b>(16,370,000)</b>	(22,160,000)
	<b><u>69,560,000</u></b>	<u>87,330,000</u>

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

	<b>31 December 2018</b>	31 December 2017
Supplemental retirement benefits	<b>2,540,220,000</b>	2,380,610,000
Less: Current portion	<b>(112,150,000)</b>	(110,650,000)
	<b><u>2,428,070,000</u></b>	<u>2,269,960,000</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (31) Long-term employee benefits payable (Continued)

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

	Early retirement benefits	Supplemental retirement benefits
1 January 2018	109,490,000	2,380,610,000
Amount recognised in profit or loss for the current period		
– Service cost	4,310,000	9,730,000
– Net interest expense on the net obligations	3,930,000	92,390,000
Re-measurement amount		
– Actuarial gains for the current period	(6,280,000)	163,730,000
Payment of benefits	(25,520,000)	(102,290,000)
Personnel transferred out	—	(3,950,000)
	<u>85,930,000</u>	<u>2,540,220,000</u>
31 December 2018		
	Early retirement benefits	Supplemental retirement benefits
1 January 2017	134,540,000	2,734,210,000
Amount recognised in profit or loss for the current period		
– Service cost	18,450,000	8,370,000
– Net interest expense on the net obligations	3,640,000	88,960,000
Re-measurement amount		
– Actuarial gains for the current period	(13,930,000)	(347,410,000)
Payment of benefits	(33,210,000)	(103,520,000)
	<u>109,490,000</u>	<u>2,380,610,000</u>
31 December 2017		

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (31) Long-term employee benefits payable (Continued)

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

	<b>31 December 2018</b>	31 December 2017
Discount rate – early retirement benefits	3.25%	4.00%
Discount rate – supplemental retirement benefits	3.50%	4.25%
Salary and welfare growth rate – early retirement benefits	10%	10%
Jinglao allowance growth rate – supplemental retirement benefits	5%	5%
Fushou allowance growth rate – supplemental retirement benefits	3%	3%

For the year months ended 31 December 2018 and 2017, the assumption for future mortality rate is based on the statistics of the China Life Annuitant Mortality Table (2010-2013) translated forward by three years. The actuarial assumptions are analysed as follows:

	<b>The year ended 31 December 2018</b>	The year ended 31 December 2017
Early retirement benefits – Average age	53.1	53.6
Average expected future time until legally retirement	4.2	4.0
Supplemental retirement benefits – Average age	52.8	52.0
Average residual expected future entire duration	30.1	31.0

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

	Change in assumption	Impact on present value of defined benefit liability	
		Increase in assumption	Decrease in assumption
Discount rate – early retirement benefits	0.25%	1.27% down	1.30% up
Discount rate – supplemental retirement benefits	0.25%	3.16% down	3.32% up
Salary and welfare growth rate – early retirement benefits	1%	4.44% up	4.04% down
Jinglao allowance growth rate – supplemental retirement benefits	1%	5.07% up	4.31% down
Fushou allowance growth rate – supplemental retirement benefits	1%	4.29% up	3.51% down

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (31) Long-term employee benefits payable (Continued)

- (f) As at 31 December 2018, expected maturity analysis of undiscounted defined benefit liability is as follows:

	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Early retirement benefits	16,370,000	13,590,000	28,720,000	44,950,000	103,630,000
Supplemental retirement benefits	112,180,000	116,350,000	371,420,000	3,666,740,000	4,266,690,000
	<u>128,550,000</u>	<u>129,940,000</u>	<u>400,140,000</u>	<u>3,711,690,000</u>	<u>4,370,320,000</u>

- (g) Early retirement benefits and supplemental retirement benefits expose the Group to a variety of risks, mainly, the risk of change in interest rate of government bonds. Decline in interest rate of government bonds will lead to increase in liabilities.
- (h) Early retirement benefits and supplemental retirement benefits recognised in profit or loss for the current period are as follows:

	The year ended 31 December 2018	The year ended 31 December 2017
General and administrative expenses	7,760,000	12,890,000
Financial expenses	96,320,000	92,600,000

### (32) Other non-current liabilities

	31 December 2018	31 December 2017
Lease payments collected in advance	3,089,518,036	3,285,600,109
Less: Current portion	(205,313,475)	(203,370,676)
	<u>2,884,204,561</u>	<u>3,082,229,433</u>

Lease payments collected in advance mainly comprise port facilities lease payments collected in advance from related party QQCT, dock basin lease payments collected in advance from QQCTN and QQCTU with a period of 30 years and Qianwan Port area storage yard lease payment collected in advance from Kubo International Mining Co., Ltd with a period of 3 years. The current portion of the above lease payment is presented as advances from customers.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (33) Share capital

	31 December 2017	Movement in current period					31 December 2018
		New issue of shares	Share donation	Transfer from reserves	Other	Sub-total	
Foreign shares issued overseas	1,099,025,000	—	—	—	—	—	1,099,025,000
RMB denominated common stock	4,937,699,000	—	—	—	—	—	4,937,699,000
	<b>6,036,724,000</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>6,036,724,000</b>

	31 December 2016	Movement in current period					31 December 2017
		New issue of shares	Share donation	Transfer from reserves	Other	Sub-total	
Foreign shares issued overseas	856,025,000	243,000,000	—	—	—	243,000,000	1,099,025,000
RMB denominated common stock	3,922,179,000	1,015,520,000	—	—	—	1,015,520,000	4,937,699,000
	<b>4,778,204,000</b>	<b>1,258,520,000</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,258,520,000</b>	<b>6,036,724,000</b>

The Company completed the placement of 243,000,000 new H shares on 18 May 2017 at a placing price of HKD 4.32 (approximately equivalent to RMB 3.81) per share. The share capital increased to 5,021,204,000 shares upon completion of the placement. The above-mentioned capital has been verified by PricewaterhouseCoopers Zhong Tian LLP with capital verification report of PwC ZT Yan Zi (2017) No. 527 issued accordingly.

The Company determined private placement of 1,015,520,000 domestic shares on 22 May 2017 to Shanghai China Shipping Terminal Development Co, Ltd. at a subscription price of RMB 5.71 per share. Upon completion of the private placement of domestic shares, the share capital increased to RMB 6,036,724,000. The above-mentioned capital has been verified by PricewaterhouseCoopers Zhong Tian LLP with capital verification report of PwC ZT Yan Zi (2017) No. 526 issued accordingly.

According to Circular 434 of the China Securities Regulatory Commission on the approval of Qingdao Port International Co., Ltd. for the issuance of overseas listed foreign shares, the company completed the first issue of 705,800,000 overseas issuance of foreign shares to foreign investors on 6 June 2014. For the work of H-shares, the issue price per share was HK\$3.76 (approximately RMB 2.98), and the share capital increased to 4,705,800,000 shares after the issue. On 2 July 2014, the Company exercised the over-allotment option and completed the issuance of 72,404,000 shares of foreign-invested H-shares issued overseas. The issue price per share was HK\$3.76 (approximately RMB 2.99), and the excess was exercised. After the placement option, the share capital increased to 4,778,204,000 shares. The above funds were verified by Xinyong Zhonghe Certified Public Accountants Co., Ltd. (Special General Partnership) Co., Ltd. and issued a capital verification report numbered XYZH/2014QDA2002.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (34) Capital surplus

	31 December 2017	Increase in the current period	Decrease in the current period	31 December 2018
Share premium -				
Capital premium				
contributed by Qingdao Port Group (a)	7,052,279,474	—	—	7,052,279,474
Capital premium contributed by other Promoters(a)	783,586,608	—	—	783,586,608
Issue of new shares (b)	7,012,559,612	—	—	7,012,559,612
Shares issue expenses (b)	(126,431,506)	—	—	(126,431,506)
Reversal of revaluation appreciation effect from business combination involving enterprises under common control	(4,830,045,213)	—	—	(4,830,045,213)
Income tax effect recognised from revaluation appreciation	887,819,497	—	—	887,819,497
Business combination involving enterprises under common control	(18,103,678)	—	—	(18,103,678)
Other capital surplus -				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	9,135,725	7,168,274	—	16,303,999
	<u>10,770,800,519</u>	<u>7,168,274</u>	<u>—</u>	<u>10,777,968,793</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (34) Capital surplus (Continued)

	31 December 2016	Increase in the current period	Decrease in the current period	31 December 2017
Share premium –				
Capital premium				
contributed by Qingdao Port Group (a)	7,052,279,474	—	—	7,052,279,474
Capital premium contributed by other Promoters (a)	783,586,608	—	—	783,586,608
Issue of new shares (b)	1,547,306,924	5,465,252,688	—	7,012,559,612
Shares issue expenses (b)	(113,422,026)	(13,009,480)	—	(126,431,506)
Reversal of revaluation appreciation effect from business combination involving enterprises under common control	(4,830,045,213)	—	—	(4,830,045,213)
Income tax effect recognised from revaluation appreciation	887,819,497	—	—	887,819,497
Business combination involving enterprises under common control	(18,103,678)	—	—	(18,103,678)
Other capital surplus –				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	12,213,780	(3,078,055)	—	9,135,725
	<u>5,321,635,366</u>	<u>5,449,165,153</u>	<u>—</u>	<u>10,770,800,519</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (34) Capital surplus (Continued)

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (35) Other comprehensive income

	Other comprehensive income in financial statement				Other comprehensive income in income statement in 2018					
	31 December 2017	Changes in accounting policies	31 January 2018	Attributable to the parent company after tax	31 December 2018	Amount incurred before income tax for the current year	Less: Previously recognised in OCI but transferred to P&L for the current year	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority interests, net of tax
Other comprehensive income items which will not be reclassified to profit or loss										
Amount changes arising from remeasurement of defined benefit plans	283,865,500	—	283,865,500	(162,847,800)	121,017,700	(163,730,000)	—	—	(162,847,800)	(882,200)
Other comprehensive income that will be subsequently reclassified to profit or loss										
Fair value changes in other debt investments	—	—	—	12,676,488	12,676,488	18,079,269	—	—	12,655,488	5,432,781
	<u>283,865,500</u>	<u>—</u>	<u>283,865,500</u>	<u>(150,171,312)</u>	<u>133,694,188</u>	<u>(145,650,731)</u>	<u>—</u>	<u>—</u>	<u>(150,171,312)</u>	<u>4,550,581</u>

	Other comprehensive income in financial statement			Other comprehensive income in income statement in 2017				
	31 December 2016	Attributable to the parent company after tax	31 December 2017	Amount incurred before income tax for the current year	Less: Previously recognised in OCI but transferred to P&L for the current year	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority interests, net of tax
Other comprehensive income items which will not be reclassified to profit or loss								
Amount changes arising from remeasurement of defined benefit plans	(63,024,800)	346,890,300	283,865,500	347,410,000	—	—	346,890,300	519,700

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (36) Surplus reserve

	31 December 2017	Appropriation in current period	Decrease in the current period	31 December 2018
Statutory surplus reserve	<u>673,990,310</u>	<u>312,984,004</u>	—	<u>986,974,314</u>
	31 December 2016	Appropriation in current period	Decrease in the current period	31 December 2017
Statutory surplus reserve	<u>429,859,457</u>	<u>244,130,853</u>	—	<u>673,990,310</u>

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

### (37) General risk reserve

	31 December 2017	Appropriation in current period	Decrease in the current period	31 December 2018
General risk reserve	<u>226,359,871</u>	<u>71,923,935</u>	—	<u>298,283,806</u>
	31 December 2016	Appropriation in current period	Decrease in the current period	31 December 2017
General risk reserve	<u>134,121,910</u>	<u>92,237,961</u>	—	<u>226,359,871</u>

Pursuant to the notice in Cai Jin [2012] No.20 *Administrative Measures for the Provision of Reserves of Financial Enterprises* issued by the Ministry of Finance, financial enterprises shall make appropriation to general reserve for risk assets. The general reserve should not be less than 1.5% of the ending balance of risk assets, and the minimum threshold can be accumulated over a period of no more than five years. As at 31 December 2018, the general reserve of the Company's subsidiary, Qingdao Finance, has reached 1.5% of the balance of the year-end risk assets.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (38) Undistributed profits

	<b>For the year ended 31 December 2018</b>	For the year ended 31 December 2017
Undistributed profits at beginning of period (before adjustment)	5,550,975,839	3,631,936,223
Adjustment (a)	<b>(16,939,322)</b>	—
Undistributed profits at beginning of period (after adjustment)	5,534,036,517	3,631,936,223
Add: Attributable to equity holders of the Company	3,593,485,631	3,042,959,443
Less: appropriation of statutory surplus reserve	<b>(312,984,004)</b>	(244,130,853)
appropriation of general risk reserve	<b>(71,923,935)</b>	(92,237,961)
Profit distribution to shareholders(b)	—	(787,551,013)
	<hr/>	<hr/>
Undistributed profits at the end of the period	<b>8,742,614,209</b>	5,550,975,839

- (a) In 2018, undistributed profit at the beginning of period adjusted RMB 16,939,322 due to the first implementation of the new revenue accounting standard and new financial instruments standard (Note 2(30)).
- (b) Pursuant to the resolution at the Board of Directors' meeting dated on 17 March 2017 and the annual general meeting dated on 28 June 2017, the Company distributed a dividend of RMB 0.13 per share (including tax) to the shareholders of the Company for 2016, and total dividend amount is RMB 787,551,013 calculated according to the issued shares of 6,036,724,000 shares.

According to the resolution of the Board of Directors on 28 March 2019, the Board of Directors proposed that the company distribute cash dividends of 2017 and 2018 to all shareholders at RMB 379.70 per thousand share (including tax). Based on the 6,491,100,000 shares issued, the proposed dividends are RMB 2,464,670,670, the above proposal is still pending approval by the shareholders meeting, and has not recognized as a liability in the financial statements (Note 12(2)).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (39) Revenue and cost of sales

	<b>For the year ended 31 December 2018</b>	For the year ended 31 December 2017
Revenue from main operations	<b>10,541,003,867</b>	9,131,214,240
Revenue from other operations	<b>1,200,476,297</b>	1,015,010,802
	<b><u>11,741,480,164</u></b>	<b><u>10,146,225,042</u></b>
	<b>For the year ended 31 December 2018</b>	For the year ended 31 December 2017
Cost of sales from main operations	<b>(7,427,909,125)</b>	(6,208,034,253)
Cost of sales from other operations	<b>(687,592,866)</b>	(608,069,050)
	<b><u>(8,115,501,991)</u></b>	<b><u>(6,816,103,303)</u></b>

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

	<b>The year ended 31 December 2018</b>		The year ended 31 December 2017	
	<b>Revenue from main operations</b>	<b>Cost of sales from main operations</b>	Revenue from main operations	Cost of sales from main operations
Container handling and ancillary services	<b>240,606,073</b>	<b>(103,061,876)</b>	234,824,683	(69,523,369)
Metal ore, coal and other cargo handling and ancillary services	<b>2,988,976,155</b>	<b>(2,364,101,409)</b>	3,045,091,693	(2,380,031,445)
Liquid bulk cargo handling and ancillary services	<b>852,239,978</b>	<b>(273,620,327)</b>	551,692,265	(152,527,397)
Logistics and port value-added services	<b>5,305,379,478</b>	<b>(3,668,214,675)</b>	4,155,865,756	(2,627,558,791)
Port ancillary services - construction, labour and construction of port machinery	<b>1,153,802,183</b>	<b>(1,018,910,838)</b>	1,143,739,843	(978,393,251)
	<b><u>10,541,003,867</u></b>	<b><u>(7,427,909,125)</u></b>	<b><u>9,131,214,240</u></b>	<b><u>(6,208,034,253)</u></b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

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

	The year ended 31 December 2018		The year ended 31 December 2017	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Port ancillary service - sales of fuel, electricity and others	1,192,615,240	(686,720,864)	994,534,793	(606,351,293)
Financial services	7,861,057	(872,002)	20,476,009	(1,717,757)
	<b>1,200,476,297</b>	<b>(687,592,866)</b>	<b>1,015,010,802</b>	<b>(608,069,050)</b>

- (i) For the year ended 31 December 2018, among the above revenue categories, except for contract obligations of partial port ancillary services like sales of fuel, electricity and others are satisfied at a point in time and leasing rental income, the remaining contract obligations are satisfied over-time.
- (ii) As at 31 December 2018, the amount of revenue corresponding to contract obligations that were signed but not fulfilled or not completely fulfilled were RMB 541,928,133. Among them, the Group expects that revenue of RMB 485,352,133 will be recognised in 2019, and RMB 56,576,000 will be recognised in 2020.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (40) Taxes and surcharges

	The year ended 31 December 2018	The year ended 31 December 2017	calculation and payment standard
Land use tax	55,633,000	45,698,524	3.5 to 13 yuan/ Square meter
City maintenance and construction tax	19,099,414	18,392,673	7%
Educational surcharge	13,627,865	13,191,383	3%
Business tax (i)	10,218,534	10,360,427	5%
Stamp duty	6,120,896	9,717,880	Proportional tax rate, Norm quota tax rate
Property tax	6,593,252	5,825,671	levied on prices and values
Others	6,403,694	2,883,384	
	<b>117,696,655</b>	<b>106,069,942</b>	

- (i) As described in Note 4(19), the Group leases port facilities to related parties, such as QQCT with lease term of 30 years. By the end of 2010, the rentals are collected in full amount. The Group recognized business tax and related taxes at the time of receipt of the port facilities lease payment, business tax prepaid are recorded into other non-current assets, and carried forward to taxes and surcharges based on leasing income recognised in every period.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (41) General and administrative expenses

	<b>The year ended 31 December 2018</b>	The year ended 31 December 2017
Employee benefits	<b>310,345,705</b>	317,417,716
Depreciation of fixed assets	<b>20,808,332</b>	23,765,472
Intermediary service fee	<b>18,282,150</b>	34,343,866
Fuel and utility fees	<b>14,882,802</b>	15,826,193
Consumption of other raw materials	<b>12,919,577</b>	6,190,669
Repair expenses	<b>9,547,114</b>	8,801,224
Amortisation of intangible assets	<b>8,870,095</b>	6,498,623
Lease fee	<b>5,302,078</b>	9,733,457
Amortisation of long-term prepaid expenses	<b>1,067,997</b>	1,168,677
Others	<b>79,537,090</b>	62,640,155
	<b>481,562,940</b>	486,386,052

### (42) Financial expenses

	<b>The year ended 31 December 2018</b>	The year ended 31 December 2017
Interest costs	<b>208,762,232</b>	217,957,122
Less: Capitalised interest	<b>(5,097,204)</b>	(1,474,905)
Interest expenses	<b>203,665,028</b>	216,482,217
Less: Interest income	<b>(423,674,785)</b>	(420,097,607)
Effect of actuarial calculation of employee benefits	<b>96,320,000</b>	92,600,000
Exchange gains or losses	<b>(59,173,959)</b>	50,754,364
Others	<b>3,031,531</b>	427,633
	<b>(179,832,185)</b>	(59,833,393)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (43) Expenses by nature

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

	<b>The year ended 31 December 2018</b>	The year ended 31 December 2017
Subcontract cost	2,401,089,177	1,950,633,252
Employee benefits	1,871,364,104	1,732,890,952
Cost for outsourcing transportation	1,709,385,017	1,238,425,915
Depreciation of fixed assets	685,101,658	588,299,254
Consumption of raw materials in construction contract	403,472,698	354,835,937
Cost of sales for fuel and electricity	362,423,844	316,512,072
Consumption of other raw materials	308,047,546	225,707,996
Fuel and utility fees	275,391,943	242,065,786
Rental expenses	260,362,044	178,400,708
Repair charges	120,810,998	137,316,758
Amortisation of intangible assets	51,431,594	26,835,157
Cost of traded goods	19,952,945	131,093,213
Consulting fees	11,527,433	24,132,255
Amortisation of long-term prepaid expenses	11,439,139	24,469,901
Auditor's fee	6,754,717	10,211,611
- Listed company annual audit service	4,575,472	4,575,472
- Other audit services for the Group	2,160,377	5,606,176
- Non-audit services	18,868	29,963
Depreciation of investment properties	4,924,164	4,850,516
Others	154,355,200	151,626,712
	<b>8,657,834,221</b>	<b>7,338,307,995</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (44) Asset impairment losses

	<b>The year ended 31 December 2018</b>	The year ended 31 December 2017
provision for bad debts	—	139,282,045

### (45) Impairment loss on credit

	<b>The year ended 31 December 2018</b>	The year ended 31 December 2017
Provision for bad debts of notes receivable and accounts receivable	12,969,158	—
Provision for bad debts of other receivables	(5,380,889)	—
Provision for bad debts of long-term receivables	(49,238,706)	—
Provision for bad debts of contract assets	(1,413,322)	—
	<b>(43,063,759)</b>	—

### (46) Other income

	<b>The year ended 31 December 2018</b>	The year ended 31 December 2017	
Development support funds related to daily operations	29,359,629	38,593,000	Income related
Special funds for outer route	3,914,444	3,914,444	Asset related
Employment stabilisation subsidies	847,303	5,567,163	Income related
Special subsidy for shore power projects	45,225	—	Asset related
	<b>34,166,601</b>	48,074,607	

In 2018 and 2017, other income was included in the non-recurring profit or loss of the year.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (47) Investment income

	<b>The year ended 31 December 2018</b>	The year ended 31 December 2017
Investment income from long-term equity investments under equity method	<b>1,287,921,477</b>	1,116,550,382
Interest income earned for holding of debt investments	<b>81,758,380</b>	89,197,505
Investment income from disposal of financial assets held for trading	<b>45,607,996</b>	—
Investment income from disposal of other debt investment	<b>37,501,730</b>	—
Investment income from disposal of available-for-sale financial assets	—	51,695,472
Investment (loss)/income from the original long-term equity investment remeasured at fair value through step by-step business combination	<b>(791,577)</b>	6,339,652
Dividend income from other equity instruments investment	<b>3,698,485</b>	—
Investment income from available-for sale financial assets	—	58,500
Investment loss from disposal of long-term equity investments	<b>(255,633)</b>	(3,154,559)
	<b><u>1,455,440,858</u></b>	<b><u>1,260,686,952</u></b>

There is no significant restriction on the Group's recovery of investment income.

### (48) Gains on disposal of assets

	<b>The year ended 31 December 2018</b>	The year ended 31 December 2017
Gains on disposal of fixed assets	<b>3,105,007</b>	32,919,663
Gains/(Losses) on disposal of intangible assets	<b>2,372,582</b>	(3,160,943)
Gains on disposal of other non-current assets <sup>(i)</sup>	<b>35,068,278</b>	—
	<b><u>40,545,867</u></b>	<b><u>29,758,720</u></b>

In 2018 and 2017, gains on disposal of assets were included in the non-recurring profit or loss of the year.

- (i) As stated in Note 4(19), Mercuria Storage purchased some crude oil for the purpose of production and filled in the crude oil pipeline and tanks, so as to ensure the precision of oil product metering and increase the tank pressure for production safety. In 2008 the crude oil was enough for production safety, thus Mercuria Storage disposed some and gain RMB 35,068,278.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (49) Non-operating income

	<b>The year ended 31 December 2018</b>	The year ended 31 December 2017
Government grant (i)	<b>4,038,753</b>	11,452,858
Commission income from collection of port construction fee (ii)	<b>14,828,832</b>	14,878,230
Insurance compensation (iii)	<b>20,145,011</b>	—
Others	<b>4,062,295</b>	4,857,482
	<b>43,074,891</b>	31,188,570

In 2018 and 2017, non-operating income was included in the non-recurring profit or loss of the year.

#### (i) Details of government grant

	<b>The year ended 31 December 2018</b>	The year ended 31 December 2017	
Bonus for attracting businesses and investment	<b>1,600,000</b>	3,200,000	Income related
Science and technology awards	<b>500,000</b>	1,061,194	Income related
Development support fund from the Bureau of Finance	—	5,015,400	Income related
Other government grant	<b>1,938,753</b>	2,176,264	Asset/Income related
	<b>4,038,753</b>	11,452,858	

(ii) According to the *Administrative Measures for the Collection and Use of Port Construction Fees* jointly released by the Ministry of Finance and the Ministry of Communications, the Group collects commission fees at 1% of the port construction fee.

(iii) Insurance compensation was received for asset losses caused by natural disasters.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (50) Income tax expenses

	<b>The year ended 31 December 2018</b>	The year ended 31 December 2017
Current income tax calculated based on tax law and related regulations	<b>925,055,370</b>	775,097,997
Deferred income tax	<b>(12,091,353)</b>	(24,670,763)
	<b><u>912,964,017</u></b>	<u>750,427,234</u>

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

	<b>The year ended 31 December 2018</b>	The year ended 31 December 2017
Total profit	<b><u>4,756,490,365</u></b>	<u>3,990,789,820</u>
Income tax expenses calculated at applicable tax rates	<b>1,189,122,591</b>	997,697,455
The effect of preferential tax rates	<b>(6,612,517)</b>	(1,797,762)
Investment income not subject to tax	<b>(321,980,369)</b>	(279,137,596)
Additional deduction of employee benefits of the disabled	<b>(1,578,830)</b>	(1,732,136)
Costs, expenses and losses not deductible for tax purposes	<b>38,229,939</b>	25,411,235
Deductible losses not recognized as deferred tax assets in the current period	<b><u>15,783,203</u></b>	<u>9,986,038</u>
Income tax expenses	<b><u>912,964,017</u></b>	<u>750,427,234</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (51) Earnings per share

#### (a) Basic earnings per share

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

	<b>The year ended 31 December 2018</b>	The year ended 31 December 2017
Consolidated net profit attributable to ordinary shareholders of the Company	<b>3,593,485,631</b>	3,042,959,443
Weighted average number of ordinary shares outstanding	<b>6,036,724,000</b>	5,539,616,800
Basic earnings per share	<b>0.60</b>	0.55
Including:		
– Basic earnings per share from continuing operations	<b>0.60</b>	0.55
– Basic earnings per share from discontinued operations	<b>NA</b>	NA

#### (b) Diluted earnings per share

Diluted earnings per share is calculated by dividing net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares for the year ended 31 December 2018 (for the year ended 31 December 2017: nil), diluted earnings per share equal to basic earnings per share.

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

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

	<b>The year ended 31 December 2018</b>	The year ended 31 December 2017
Lease payments received	<b>140,506,020</b>	193,218,032
Government grants	<b>104,736,314</b>	53,267,015
Port construction fees collected on behalf	<b>28,525,777</b>	—
Interest from cash at bank	<b>25,700,187</b>	19,389,795
Commission of port construction fees	<b>14,828,832</b>	14,878,230
Railage collected on behalf	<b>9,129,525</b>	—
Logistics business fees collected on behalf	—	4,378,904
Receipt of deposits and guarantees	—	38,411,705
Compensation from bridge crane	<b>20,145,011</b>	—
Others	<b>4,062,295</b>	5,125,700
	<b>347,633,961</b>	328,669,381

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

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

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

	<b>The year ended 31 December 2018</b>	The year ended 31 December 2017
Advance payment for agency purchase	<b>235,110,214</b>	142,043,483
Payment of deposits and guarantees	<b>40,067,440</b>	—
Logistics business fees paid on behalf	<b>33,137,666</b>	—
Office expenses and entertainment expenses	<b>31,530,494</b>	32,275,632
Intermediary service fee	<b>18,282,150</b>	35,013,428
Port construction fees paid on behalf	—	6,836,526
Railage paid on behalf	—	7,276,401
Others	<b>32,316,764</b>	26,580,379
	<b><u>390,444,728</u></b>	<u>250,025,849</u>

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

	<b>The year ended 31 December 2018</b>	The year ended 31 December 2017
Recovery of loans provided to related parties and third parties	<b>6,485,958,858</b>	1,551,496,621
Recovery of agent construction projects, net	—	34,801,328
	<b><u>6,485,958,858</u></b>	<u>1,586,297,949</u>

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

	<b>The year ended 31 December 2018</b>	The year ended 31 December 2017
Provision of loans to related parties and third parties	<b>3,985,287,684</b>	2,549,667,390
Statutory deposit reserve deposited by Qingdao Finance	<b>121,821,138</b>	3,643,417
Payment for purchase of finance lease assets	—	81,992,405
	<b><u>4,107,108,822</u></b>	<u>2,635,303,212</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

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

	<b>The year ended 31 December 2018</b>	The year ended 31 December 2017
Deposits received by Qingdao Finance	—	1,260,030,741

#### (f) Cash paid relating to other financing activities

	<b>The year ended 31 December 2018</b>	The year ended 31 December 2017
Decrease in deposit received by Qingdao Finance	4,284,019,199	—
Repayment of principal and interest of finance leases	47,662,763	17,345,639
Payment to Qingdao Port Group	—	417,577,939
Payment of fees related to the issuance of shares	4,528,302	13,009,480
	<b>4,336,210,264</b>	<b>447,933,058</b>

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

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

	<b>The year ended 31 December 2018</b>	The year ended 31 December 2017
Net profit	3,843,526,348	3,240,362,586
Add: Provision for asset impairment loss	—	139,282,045
Reversal of credit impairment loss	(43,063,759)	—
Depreciation of fixed assets and investment properties	690,025,822	593,149,770
Amortisation of intangible assets	51,431,594	26,835,157
Amortisation of long-term prepaid expenses	11,439,139	24,469,901
Amortisation of deferred income	(5,059,669)	(6,260,450)
Gains on disposal of fixed assets, intangible assets and other non-current assets	(40,545,867)	(29,758,720)
Changes in fair value income	(5,014,902)	—
Investment income	(1,455,440,858)	(1,260,686,952)
Decrease in deferred tax assets	(6,444,912)	(28,870,668)
Financial expenses	(155,170,686)	(39,300,388)
Decrease/(increase) in inventory and contract assets	48,525,249	(43,198,224)
Increase in operating receivables	(1,083,247,279)	(1,177,182,592)
Increase in operating payables	440,043,994	485,447,132
Net cash flows from operating activities	<b>2,291,004,214</b>	<b>1,924,288,597</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

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

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

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

	<b>The year ended 31 December 2018</b>	The year ended 31 December 2017
Goods and services purchased by endorsement of notes receivable	<u><b>2,147,764,038</b></u>	<u>1,940,744,531</u>

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

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

	<b>The year ended 31 December 2018</b>	The year ended 31 December 2017
Long-term assets acquired by endorsement of notes receivable	<b>73,442,525</b>	75,815,130
Construction expenditures paid on behalf by endorsement of notes receivable	—	32,086,850
	<u><b>73,442,525</b></u>	<u>107,901,980</u>

##### (ii) Finance lease

	<b>The year ended 31 December 2018</b>	The year ended 31 December 2017
Finance lease assets	<u><b>123,283,294</b></u>	<u>53,122,127</u>

##### (iii) Contribute with intangible assets

	<b>The year ended 31 December 2018</b>	The year ended 31 December 2017
Contribute with intangible assets to obtain long-term equity investment	<u><b>66,522,882</b></u>	<u>—</u>

On 10 July 2018, the Group and PetroChina Fuel Oil jointly established PetroChina Storage Warehousing, and the Group contributed capital by land use rights(Carrying amount:RMB 66,522,882) and monetary funds amounted to RMB 93,425,311(Note 4 (16)).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

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

##### (i) Discount of notes receivable

	<b>The year ended 31 December 2018</b>	The year ended 31 December 2017
Short-term borrowings offset with discounted notes receivable	—	241,430,715

(ii) In 2017, the Company issued additional domestic shares to Shanghai China Shipping Terminal and part of the consideration would be paid by 20% of the QQCT shares evaluated at RMB 3,198,650,840 held by Shanghai China Shipping Terminal (Note 4(11) (a)).

#### (e) Net movements in cash

	<b>The year ended 31 December 2018</b>	The year ended 31 December 2017
Cash at the end of the period	<b>4,014,278,650</b>	6,362,939,502
Less: Cash at the beginning of the period	<b>(6,362,939,502)</b>	(2,747,487,988)
Net increase/(decrease) in cash	<b>(2,348,660,852)</b>	3,615,451,514

#### (f) Cash

	<b>The year ended 31 December 2018</b>	The year ended 31 December 2017
Cash at bank and on hand (Note 4(1))	<b>8,077,972,498</b>	11,705,176,363
Less: Term deposits with initial term of over 3 months	<b>(3,128,746,064)</b>	(4,211,953,530)
Other restricted cash balance	<b>(934,947,784)</b>	(1,130,283,331)
Cash at the end of the year	<b>4,014,278,650</b>	6,362,939,502

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (g) acquirement or disposal of subsidiaries

##### (i) acquirement subsidiaries

	<b>The year ended 31 December 2018</b>	The year ended 31 December 2017
Cash paid for the acquiring subsidiaries occurred in the current period	<b>23,035,440</b>	152,027,521
Including: Yuntai Logistics	<b>23,035,440</b>	—
Qingdao Port Dongjiakou Liquid Chemical Terminal Co., Ltd. (“Liquid Chemical Terminal”) (Used name “Vopak Logistics (Qingdao) Co., Ltd”)	—	152,027,521
Less: Cash held by the subsidiaries on the date of purchase	<b>(18,231,092)</b>	(13,175,391)
Including: Yuntai Logistics	<b>(18,231,092)</b>	—
Liquid Chemical Terminal	—	(13,175,391)
Add: Cash paid for the acquiring subsidiaries occurred in the previous period	—	(12,134,086)
Including: Qingdao Port Qianwan Port Bonded Logistics Centre Co., Ltd. (“Bonded Logistics Centre”)	—	12,134,086
Add: Amount of money subsidiaries deposited in Qingdao Finance on the date of purchase	<b>18,231,092</b>	—
Net Cash paid to acquire subsidiaries	<b>23,035,440</b>	150,986,216

Please refer to Note 5(1)(a) for the details of acquiring price and the value of subsidiaries’ net asset.

The cash held by the subsidiaries on the date of purchase has been deposited in Qingdao Finance.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (g) acquirement or disposal of subsidiaries (Continued)

##### (ii) disposal of subsidiaries

	<b>The year ended 31 December 2018</b>	The year ended 31 December 2017
Cash received for the disposal of subsidiaries occurred in the current period	—	457,621,651
Including: Qingdao Port Travel Agency Service Co., Ltd. ("Qingdao Port Travel Agency")	—	—
Qingdao Port Fund Management Co., Ltd ("Fund Management")	—	2,918,423
Qingdao Port asset Management Co., Ltd ("Assets Management Company")	—	177,088,324
Qingdao Leasing	—	277,614,904
Less: Cash held by the subsidiaries on the date of disposal	—	(174,719,908)
Including: Qingdao Port Travel Agency	—	—
Fund Management	—	(2,918,423)
Assets Management Company	—	(136,190,423)
Qingdao Leasing	—	(35,611,062)
	<hr/>	<hr/>
Net Cash received for the disposal of subsidiaries	—	282,901,743
	<hr/> <hr/>	<hr/> <hr/>

Please refer to Note 5(2) for the details of disposal price and the value of subsidiaries' net asset.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (54) Monetary items denominated in foreign currencies

	31 December 2018		
	Foreign currencies balance	Conversion rate	RMB balance
Cash at bank and on hand –			
USD	168,008,925	6.8632	1,153,078,854
HKD	196,260	0.8762	171,963
			<u>1,153,250,817</u>
Accounts receivables –			
USD	14,058,706	6.8632	96,487,714
JPY	5,046,467	0.0619	312,326
			<u>96,800,040</u>
Accounts payable –			
USD	8,585,469	6.8632	58,923,791
JPY	318,880	0.0619	19,735
			<u>58,943,526</u>
Long-term borrowings –			
EUR	10,261,469	7.8473	80,524,826
Short-term borrowings –			
USD	6,535,351	6.8632	44,853,424

Monetary items denominated in foreign currencies above means all currencies except RMB. (Its range is different from Note 15(1)(a)).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (54) Monetary items denominated in foreign currencies (Continued)

	31 December 2017		
	Foreign currencies balance	Conversion rate	RMB balance
Cash at bank and on hand			
USD	81,214,991	6.5342	530,674,995
EUR	131,382	7.8023	1,025,082
HKD	524,889,489	0.8359	438,760,373
JPY	2,239,126	0.0579	129,607
			<u>970,590,056</u>
Accounts receivables –			
USD	6,345,162	6.5342	41,460,558
JPY	3,006,700	0.0579	174,037
			<u>41,634,595</u>
Accounts payable –			
USD	3,046,281	6.5342	19,905,010
JPY	862,760	0.0579	49,940
			<u>19,954,950</u>
Long-term borrowings –			
EUR	10,261,469	7.8023	<u>80,063,060</u>
Short-term borrowings –			
JPY	130,000,000	0.0579	<u>7,540,000</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

## 5 CHANGES OF THE SCOPE OF CONSOLIDATION

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

#### (a) Business combinations involving enterprises not under common control in the year ended 31 December 2018

Acquiree	Acquisition time	Costs	% of equity acquired	Acquisition method	Acquisition date	Basis for determining the acquisition date	Revenue of the acquiree from the acquisition date to the end of the period	Net profit of the acquiree from the acquisition date to the end of the period	Cash flows from operating activities of the acquiree from the acquisition date to the end of the period	Net cash flows from operating activities of the acquiree from the acquisition date to the end of the period
Yantai Logistics	10 January 2018	23,035,440	60%	By cash	10 January 2018	Control obtained	594,064,394	(7,372,973)	(57,963,771)	1,725,869

In 25 June 2014, Yantai Logistics was jointly established by QDP Logistics and Qingdao Yuanchang Industry Co., Ltd. QDP Logistics made contribution in cash and holds 40% equity interest of Yantai Logistics.

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

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

##### (i) Yuntai Logistics

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (2) Disposal of subsidiaries

(a) Information of subsidiaries disposed for the year ended 31 December 2018 are summarised as follows:

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

(i) On 25 April 2018, the Company disposed 94.29% of its equity interests to Qingdao International Cruise Co., Ltd. ("QD International Cruise") with gains from disposal of 159,536.

(b) Details of disposal are as follows:

(i) Qingdao Port Travel Agency

	Amount
Consideration received from the disposal	3,218,118
Less: corresponding shares of net assets attributable to the parent company in the consolidated financial statements	(3,058,582)
Investment income from disposal	<u>159,536</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

On 21 March 2018, Qingdao Port Lugang (Jiaozhou) International Logistics Co., Ltd. (“Lugang Logistics”) was established as a wholly owned subsidiary by QDP Logistics, a subsidiary of the Company, with the registered capital of RMB 5 million. As at 31 December 2018, capital contribution had been completed.

On 11 May 2018, Jimo Logistics was established as a non-wholly owned subsidiary by QDP Logistics, a subsidiary of the Company. The registered capital of RMB 150 million. As at 31 December 2018, capital contribution had been completed.

On 30 May 2018, Qingdao Qianwan International Automobile Supply Chain Co., Ltd. (“Automobile Supply Chain”) was established as a non-wholly owned subsidiary by QDP Logistics, a subsidiary of the Company. The registered capital of RMB 100 million. As at 31 December 2018, capital contribution of RMB 24 million had been made.

On 14 June 2018, Shandong Qingdong Pipe Co., Ltd. (“Qingdong Pipe”) was established as non-wholly owned subsidiary by the Company with the registered capital of RMB 500 million. As at 31 December 2018, capital contribution had been completed.

On 27 June 2018, Waili Testing was established as a wholly owned subsidiary by Qingdao Ocean Shipping Tally Co, Ltd. (“Ocean Shipping Tally”), a subsidiary of the Company with contribution of RMB 4 million. As at 31 December 2018, capital contribution of RMB 500,000 had been made.

On 18 July 2018, Dongying Qingdong Pipe Co., Ltd. (“Dongying Qingdong Pipe”) was established as wholly owned subsidiary by Qingdong Pipe, a subsidiary of the Company with the registered capital of RMB 150million. As at 31 December 2018, no contribution was made.

On 30 August 2018, Qingdao Bonded Port Tongda Oil & Gas Co., Ltd. (“Tongda Oil & Gas”) was established as wholly owned subsidiary by the Company with the registered capital of RMB 50 million. As at 31 December 2018, capital contribution of RMB 25 million had been made.

On 5 November 2018, Qingdao Tongan Environmental Protection Technology Co., Ltd. (“Tongan Environmental Protection”) was established as a wholly owned subsidiary by the Company with the registered capital of RMB 6 million. As at 31 December 2018, no contribution was made.

On 19 December 2018, Shandong Qingzi Logistics Co., Ltd. (“Qingzi Logistics”) was established as a wholly owned subsidiary by the Company with the registered capital of RMB 200 million. As at 31 December 2018, no contribution was made.

Please refer to Note 6(1)(a) for the details of the subsidiaries mentioned above. Those subsidiaries are included in the scope of consolidation.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

## 6 EQUITY INTEREST IN OTHER ENTITIES

### (1) Equity interest in subsidiaries

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

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

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

	Category of entity	Major business location	Place of registration	Principal activities	Shareholding		Voting rights	Acquisition method
					Direct	Indirect		
Mercuria Oil Terminal (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Storage service	71%	—	60%	Business combinations involving enterprises not under common control
Qingdao Port E-Link Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	—	65%	65%	Set-up or investment
International Trade Logistics	Limited Liability Company	Qingdao, China	Qingdao, China	Trade agency	—	60%	60%	Set-up or investment
Qingdao Port Eimskip Coldchain Logistics Co., Ltd. ("Eimskip Coldchain") (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Logistics services	70%	—	60%	Set-up or investment
Qingdao Finance	Limited Liability Company	Qingdao, China	Qingdao, China	Financial services	70%	—	70%	Set-up or investment
Qingdao Port Dongjiakou Bulk Cargo Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	—	51%	51%	Set-up or investment
Qingdao Yongli Insurance Agency Co., Ltd. ("Yongli Insurance")	Limited Liability Company	Qingdao, China	Qingdao, China	Insurance agency services	90%	10%	100%	Set-up or investment
Technology Company	Limited Liability Company	Qingdao, China	Qingdao, China	Software and hardware maintenance services	100%	—	100%	Set-up or investment
Qingdao Port Properties Co., Ltd. ("Qingdao Port Properties")	Limited Liability Company	Qingdao, China	Qingdao, China	Property management	100%	—	100%	Set-up or investment
Culture Media	Limited Liability Company	Qingdao, China	Qingdao, China	Media services	100%	—	100%	Set-up or investment
Qingdao Port Jieyuntong Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	—	51%	51%	Set-up or investment
Qingdao Port Jiefeng International Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	—	51%	51%	Set-up or investment
Qingdao Port Lianjie International Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Container Freight Station ("CFS")	—	58%	58%	Set-up or investment
Lianyu Logistics	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	—	60%	60%	Set-up or investment

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

## 6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

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

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

	Category of entity	Major business location	Place of registration	Principal activities	Shareholding		Voting rights	Acquisition method
					Direct	Indirect		
Qingdao Port Pulp Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	—	55%	55%	Set-up or investment
Qingdao City Qingdao Port Commodity Trading Center Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Trade agency	—	100%	100%	Business combination involving enterprises under common control
Qingdao Port International Development (Hong Kong) Co., Ltd. ("International Development")	Limited Liability Company	Hong Kong, China	Hong Kong, China	Investment management	100%	—	100%	Business combination involving enterprises under common control
Qingdao Port Tongbao Shipping Co., Ltd. ("Tongbao Shipping")	Limited Liability Company	Qingdao, China	Qingdao, China	Logistics services	100%	—	100%	Set-up or investment
Qingdao Port Tongze Trading Co., Ltd. ("Tongze Trading")	Limited Liability Company	Qingdao, China	Qingdao, China	Sales of goods	100%	—	100%	Set-up or investment
DMT (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo handling services	80%	—	67%	Set-up or investment
Qingdao Port Svitzer Towage Co., Ltd. ("Svitzer Towage") (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Lightering services	55%	—	60%	Set-up or investment
Lianhua Pipeline	Limited Liability Company	Qingdao, China	Qingdao, China	Fuel storage	51%	—	51%	Set-up or investment
Qingdao Port Lianxin International Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	CFS service	—	58%	58%	Set-up or investment
Weifang Port Lianhua	Limited Liability Company	Weifang, China	Weifang, China	Fuel storage	—	100%	100%	Set-up or investment
Bonded Logistics Centre	Limited Liability Company	Qingdao, China	Qingdao, China	Storage service	63%	37%	100%	Business combinations involving enterprises not under common control
Dongying Port Lianhua	Limited Liability Company	Dongying, China	Dongying, China	Fuel storage	—	70%	70%	Set-up or investment
Liquid Chemical Terminal	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo handling services	100%	—	100%	Business combinations involving enterprises not under common control
Qingdao Port Lianhua Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	—	60%	60%	Set-up or investment

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

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

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

	Category of entity	Major business location	Place of registration	Principal activities	Shareholding		Voting rights	Acquisition method
					Direct	Indirect		
Qingdao Lianxing Tally Co, Ltd. ("Lianxing Tally")	Limited Liability Company	Qingdao, China	Qingdao, China	Ocean shipping tally services	—	100%	100%	Set-up or investment
Yantai Logistics	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	—	100%	100%	Business combinations involving enterprises not under common control
Lugang Logistics	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	—	100%	100%	Set-up or investment
Jimo Logistics	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	—	60%	60%	Set-up or investment
Automobile Supply Chain(i)	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	—	45%	60%	Set-up or investment
Qingdao Shengshi International Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	—	58%	58%	Set-up or investment
Qingdong Pipe	Limited Liability Company	Qingdao, China	Qingdao, China	Oil pipeline transportation	51%	—	51%	Set-up or investment
Waili Testing	Limited Liability Company	Qingdao, China	Qingdao, China	Check and inspection	—	100%	100%	Set-up or investment
Qingdao Port Tongan Security Service Co., Ltd. ("Tongan Security")	Limited Liability Company	Qingdao, China	Qingdao, China	Security services	100%	—	100%	Set-up or investment
Dongying Qingdong Pipe	Limited Liability Company	Dongying, China	Dongying, China	Logistics services	—	100%	100%	Set-up or investment
Tongda Oil & Gas	Limited Liability Company	Qingdao, China	Qingdao, China	LNG operation	100%	—	100%	Set-up or investment
Tongan Environmental Protection	Limited Liability Company	Qingdao, China	Qingdao, China	Environmental technology service	100%	—	100%	Set-up or investment
Qingzi Logistics	Limited Liability Company	Qingdao, China	Zibo, China	Logistics services, Pipeline transportation	100%	—	100%	Set-up or investment

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

## 6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

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

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

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

As at 30 October 2014, the Company acquired 65% equity of Mercuria Oil Terminal through increase in capital and shares, and Mercuria Oil Terminal was treated as a subsidiary and included in the consolidation scope. As at 31 December 2018, the Company and minority shareholders have not completed capital contributions to Mercuria Oil Terminal, and the Company enjoys the rights and interests according to the actual percentage of shareholding of 71%. The decisions on Mercuria Oil Terminal's relevant operating activities are made by the resolution of the Board which subject to the approval of more than half of the directors who attend the Board's meeting. The Company can designate 3 out of 5 board members in Mercuria Oil Terminal, so the voting rights held by the Company is 60%.

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

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

The percentage of shareholding in Automobile Supply Chain held by QDP Logistics is 45%. The decisions on Automobile Supply Chain's relevant operating activities are made by the resolution of the Board which subject to the approval of more than half of the directors who attend the Board's meeting. QDP Logistics can designate 3 out of 5 board members in Automobile Supply Chain, so the voting rights held by QDP Logistics is 60%.

As at the year 2018 and 2017, no share capital or debt securities are issued by the subsidiaries of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

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

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

Name of subsidiary	Shareholding of minority shareholders	Gains and	Dividends	Minority interests
		losses attributable to minority interests for the year ended 31 December 2018	declared to minority interests for the year ended 31 December 2018	
Qingdao Finance	30%	90,604,913	—	575,718,172
Lianhua Pipeline(i)	49%	32,819,049	—	575,776,236
Qingdong Pipe	49%	—	—	245,000,000

(i) The main financial information of Lianhua Pipeline consists of Lianhua Pipeline and its subsidiaries Weifang Port Lianhua and Dongying Port Lianhua.

	31 December 2018			31 December 2017		
	Qingdao Finance	Lianhua Pipeline	Qingdong pipe	Qingdao Finance	Lianhua Pipeline	Qingdong pipe
Current assets	11,924,008,986	989,381,246	497,660,866	12,274,477,669	501,834,740	—
Non-current assets	2,963,118,464	3,104,090,322	4,797,459	3,578,961,205	2,101,058,250	—
Total assets	14,887,127,450	4,093,471,568	502,458,325	15,853,438,874	2,602,892,990	—
Current liabilities	(12,963,891,486)	(906,405,198)	(2,458,325)	(14,251,102,282)	(542,543,942)	—
Non-current liabilities	(4,175,392)	(2,119,487,570)	—	(3,371,667)	(1,450,954,633)	—
Total liabilities	(12,968,066,878)	(3,025,892,768)	(2,458,325)	(14,254,473,949)	(1,993,498,575)	—

	The year ended 31 December 2018			The year ended 31 December 2017		
	Qingdao Finance	Lianhua Pipeline	Qingdong pipe	Qingdao Finance	Lianhua Pipeline	Qingdong pipe
Revenue	484,677,679	341,773,772	—	466,314,809	96,677,218	—
Net profit	302,016,378	67,869,009	—	267,139,258	21,004,484	—
Total comprehensive income	320,095,647	67,869,009	—	267,139,258	21,004,484	—
Cash flows from operating activities	(3,422,636,883)	103,745,231	—	3,549,083,276	55,526,816	—

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

## 6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

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

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

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

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

As at 31 December 2018, the above material joint ventures have no issued share capital or bonds.

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

	31 December 2018		31 December 2017	
	Qingdao Shihua	QQCT	Qingdao Shihua	QQCT
Current assets	381,565,599	1,733,264,158	475,158,513	1,961,343,528
Including: Cash and cash equivalents	290,177,262	1,048,244,716	382,959,371	1,705,548,451
Non-current assets	2,596,445,096	10,258,827,424	2,683,118,280	9,554,334,100
Total assets	2,978,010,695	11,992,091,582	3,158,276,793	11,515,677,628
Current liabilities	(121,918,329)	(1,874,420,294)	(330,257,712)	(1,328,476,560)
Non-current liabilities	—	(2,517,245,305)	—	(2,958,934,488)
Total liabilities	(121,918,329)	(4,391,665,599)	(330,257,712)	(4,287,411,048)
Minority interests	—	465,414,932	—	445,575,117
Attributable to shareholders of the Company	2,856,092,366	7,135,011,051	2,828,019,081	6,782,691,463

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

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

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

Considering the impact of the fair value of identifiable assets and liabilities at acquisition(i):

	31 December 2018		31 December 2017	
	Qingdao Shihua	QQCT	Qingdao Shihua	QQCT
Current assets	—	1,733,264,158	—	1,961,343,528
Including: Cash and cash equivalents	—	1,048,244,716	—	1,705,548,451
Non-current assets	—	10,995,552,934	—	10,395,613,650
<b>Total assets</b>	<b>—</b>	<b>12,728,817,092</b>	<b>—</b>	<b>12,356,957,178</b>
Current liabilities	—	(1,874,420,294)	—	(1,328,476,560)
Non-current liabilities	—	(2,701,426,683)	—	(3,169,254,375)
<b>Total liabilities</b>	<b>—</b>	<b>(4,575,846,977)</b>	<b>—</b>	<b>(4,497,730,935)</b>
Minority interests	—	472,351,814	—	453,282,764
Attributable to shareholders of the Company	—	7,680,618,301	—	7,405,943,479
Shares of net assets in proportion (i)	1,428,046,183	3,745,865,524	1,414,009,541	3,583,823,050
Adjustments				
- Goodwill	—	1,672,785,426	—	1,672,785,426
- Unrealised profits arising from internal transactions	(70,383,656)	(48,661,685)	(75,292,129)	(10,426,521)
Carrying amount of investment in joint ventures	1,357,662,527	5,369,989,265	1,338,717,412	5,246,181,955
	<b>The year ended 31 December 2018</b>		<b>The year ended 31 December 2017</b>	
	Qingdao Shihua	QQCT	Qingdao Shihua	QQCT
Revenue	1,815,247,038	3,624,890,619	1,543,368,660	3,396,345,280
Financial expenses	4,677,561	(124,153,558)	3,934,500	(95,002,403)
Income tax expenses	(201,836,058)	(465,369,975)	(169,466,943)	(514,254,501)
Net profit	678,073,284	1,673,583,106	543,130,862	1,692,166,972
Net profit attributable to the Company	678,073,284	1,649,354,548	543,130,862	1,670,962,935
Other comprehensive income	—	—	—	—
Total comprehensive income	678,073,284	1,649,354,548	543,130,862	1,670,962,935
Considering the impact of the fair value of identifiable assets and liabilities at acquisition(i):				
Net profit	—	1,595,107,176	—	1,646,193,376
Net profit attributable to the Company	—	1,570,878,618	—	1,624,989,339
Other comprehensive income	—	—	—	—
Total comprehensive income	—	1,570,878,618	—	1,624,989,339
Dividends received from joint ventures by the Group for the current period	325,000,000	670,280,945	340,000,000	617,988,773
Dividends declared by joint ventures in the current period	325,000,000	670,280,945	240,000,000	617,988,773



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

## 6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

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

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

Considering the impact of the fair value of identifiable assets and liabilities at acquisition (i) (Continued):

- (i) The share of the net asset of the joint ventures was calculated by the share proportion of the Group, based on the equity attributable to shareholders of the joint ventures in the consolidated financial statement of the joint ventures, adjusted accordingly to the fair value of the identifiable assets and liabilities of the joint ventures at the acquisition date and conformed to accounting policies of the Group.

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

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

	The year ended 31 December 2018	The year ended 31 December 2017
Joint ventures:		
Aggregated carrying amount of investments	1,904,187,300	1,781,390,386
Aggregate of the following items in proportion Net profit (i)	156,072,811	138,097,214
Other comprehensive income (i)	—	—
Total comprehensive income	156,072,811	138,097,214
Associates:		
Aggregated carrying amount of investments	193,417,721	171,951,976
Aggregate of the following items in proportion Net profit (i)	6,465,745	2,058,373
Other comprehensive income (i)	—	—
Total comprehensive income	6,465,745	2,058,373

- (i) The net profit and other comprehensive income have taken into account the impacts of both the fair value of the identifiable assets and liabilities upon the acquisition of investment in joint ventures and associates and the unification of accounting policies adopted by the joint ventures and the associates to those adopted by the Company.

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

## 7 EQUITY IN STRUCTURED ENTITIES NOT INCLUDED IN THE SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS

Refer to Note 4(12) (iii).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 8 SEGMENT INFORMATION

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

The Group identified 6 reportable segments as follows:

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

## 8 SEGMENT INFORMATION (Continued)

(a) Segment information for the year ended 31 December 2018 and as at 31 December 2018 is listed as follows:

	Container handling and ancillary services	Metal ores, coal and other cargo handling and ancillary services	Liquid bulk handling and ancillary services	Logistics and port value-added services	Port ancillary services	Financial services	Unallocated	Elimination among segments	Total
Revenue from external customers	240,606,073	2,988,976,155	852,239,978	5,305,379,478	2,346,417,423	409,034,323	—	—	12,142,653,430
Inter-segment revenue	—	89,084,347	—	166,489,529	772,940,681	83,504,413	—	(1,112,018,970)	—
Cost of sales	(103,061,876)	(2,364,101,409)	(273,620,327)	(3,668,214,675)	(1,705,631,702)	(73,181,973)	—	—	(8,187,811,962)
Interest income	—	3,653,409	2,941,932	14,346,909	2,617,035	298,134	67,442,583	(68,798,483)	22,501,519
Interest expenses	—	(59,813,675)	(116,918,378)	(21,942,002)	(11,378,764)	—	(107,411,158)	186,108,920	(131,355,057)
Investment income from associates and joint ventures	842,048,111	52,242,312	351,860,961	77,212,859	—	3,705,800	—	(39,148,566)	1,287,921,477
Provision for credit impairment losses	—	790,477	271,480	(15,820,686)	11,246,157	4,892,436	41,683,895	—	43,063,759
Depreciation and amortisation	(20,909,092)	(267,273,449)	(164,904,462)	(107,477,173)	(184,818,804)	(2,145,159)	(5,368,416)	—	(752,896,555)
Total profit	962,050,994	437,458,998	818,497,912	1,545,377,853	498,431,404	440,286,219	284,967,305	(230,580,320)	4,756,490,365
Income tax expenses	—	(1,425,984)	(70,178,543)	(325,171,988)	(38,822,545)	(102,361,538)	(375,003,419)	—	(912,964,017)
Net profit	962,050,994	436,033,014	748,319,369	1,220,205,865	459,608,859	337,924,681	(90,036,114)	(230,580,320)	3,843,526,348
Total assets	7,053,037,039	8,596,304,638	8,936,327,628	5,216,833,796	6,224,396,015	12,958,643,260	12,419,747,945	(12,639,507,388)	48,765,782,933
Total liabilities	316,226,259	3,478,048,747	4,475,041,592	2,428,967,396	6,116,376,740	12,955,739,796	4,005,586,604	(14,429,728,444)	19,346,258,690
Non-cash expenses other than depreciation and amortisation	—	43,900,000	2,170,000	7,430,000	36,510,000	30,000	—	—	90,040,000
Long-term equity investments in associates and joint ventures	5,561,186,904	1,223,754,466	1,600,027,901	345,535,785	429,749	94,322,008	—	—	8,825,256,813
Additions of non-current assets (i)	32,313,723	528,383,664	1,600,376,249	355,847,829	284,723,515	2,182,531	8,061,889	(29,564,264)	2,782,325,136

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 8 SEGMENT INFORMATION (Continued)

(b) Segment information for the year ended 31 December 2017 and as at 31 December 2017 is listed as follows:

	Container handling and ancillary services	Metal ores, coal and other cargo handling and ancillary services	Liquid bulk handling and ancillary services	Logistics and port value-added services	Port ancillary services	Financial services	Unallocated	Elimination among segments	Total
Revenue from external customers	234,824,683	3,045,091,693	551,692,265	4,155,865,756	2,138,274,636	421,285,476	—	—	10,547,034,509
Inter-segment revenue	—	118,358,641	—	217,715,422	686,709,385	58,913,415	—	(1,081,696,863)	—
Cost of sales	(69,523,369)	(2,380,031,445)	(152,527,397)	(2,627,558,791)	(1,584,744,544)	(84,784,949)	—	—	(6,899,170,495)
Interest income	—	3,174,544	1,922,547	12,858,275	3,004,756	189,740	196,909,275	(109,573,492)	19,288,140
Interest expenses	—	(40,980,544)	(63,891,068)	(5,660,253)	(13,824,168)	—	(113,553,283)	104,494,291	(133,415,025)
Investment income from of									
associates and joint ventures	728,343,956	24,106,964	266,948,781	96,534,473	—	616,208	—	—	1,116,550,382
Provision for asset impairment losses	(233,080)	13,608,654	(1,826,879)	(5,502,321)	(61,365,524)	(34,087,895)	(49,875,000)	—	(139,282,045)
Depreciation and amortisation	(8,546,934)	(269,337,842)	(93,350,902)	(99,817,256)	(166,686,348)	(2,102,525)	(11,996,892)	—	(651,838,699)
Total profit	892,037,379	442,807,253	596,567,189	1,513,356,405	384,033,134	366,053,862	(158,568,107)	(45,497,295)	3,990,789,820
Income tax expenses	—	(3,594,130)	(41,010,350)	(291,349,710)	(34,151,289)	(90,226,822)	(290,859,791)	764,858	(750,427,234)
Net profit	892,037,379	439,213,123	555,556,839	1,222,006,695	349,881,845	275,827,040	(449,427,898)	(44,732,437)	3,240,362,586
Total assets	5,916,835,538	9,084,807,012	7,108,467,912	3,947,755,989	5,839,274,450	15,802,179,096	10,363,378,202	(10,009,045,787)	48,053,652,412
Total liabilities	57,410,000	3,415,927,723	3,689,138,679	1,319,071,962	6,654,199,423	14,244,348,801	3,842,764,708	(10,231,865,274)	22,990,996,022
Non-cash expenses other than depreciation and amortisation	—	41,030,000	2,040,000	5,770,000	29,830,000	—	—	—	78,670,000
Long-term equity investments in associates and joint ventures	5,466,698,805	1,177,306,963	1,481,248,210	322,371,543	—	90,616,208	—	—	8,538,241,729
Additions of non-current assets (i)	24,007,320	337,308,380	1,593,803,327	226,636,470	45,111,250	(39,440,000)	40,359,958	(18,163,598)	2,209,623,107

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

## 8 SEGMENT INFORMATION (Continued)

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

	<b>The year ended 31 December 2018</b>	The year ended 31 December 2017
Revenue -		
Reportable segment revenue from external customers	<b>12,142,653,430</b>	10,547,034,509
Reclassification of interest income from external customers of Qingdao Finance (i)	<b>(401,173,266)</b>	(400,809,467)
Consolidated revenue (Note 4(39))	<b><u>11,741,480,164</u></b>	<u>10,146,225,042</u>
Interest income -		
Reportable segment interest income	<b>22,501,519</b>	19,288,140
Reclassification of interest income from external customers of Qingdao Finance (i)	<b>401,173,266</b>	400,809,467
Consolidated interest income (Note 4(42))	<b><u>423,674,785</u></b>	<u>420,097,607</u>
Cost of sales -		
Reportable segment cost of sales	<b>8,187,811,962</b>	6,899,170,495
Reclassification of interest expenses from external customers of Qingdao Finance (ii)	<b>(72,309,971)</b>	(83,067,192)
Consolidated cost of sales (Note 4(39))	<b><u>8,115,501,991</u></b>	<u>6,816,103,303</u>
Interest expenses -		
Reportable segment interest expenses	<b>131,355,057</b>	133,415,025
Reclassification of interest expenses from external customers of Qingdao Finance (ii)	<b>72,309,971</b>	83,067,192
Consolidated interest expenses (Note 4(42))	<b><u>203,665,028</u></b>	<u>216,482,217</u>

- (i) Reportable segment revenue from external customers includes interest income from external customers of Qingdao Finance, which is presented as financial expenses - interest income in the consolidated financial statements.
- (ii) Reportable segment cost of sales includes interest expenses of Qingdao Finance, which is presented as finance expenses - interest expense in the consolidated financial statements.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 9 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### (1) The parent company

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

	Category of entity	Place of registration	Legal representative	Principal activities
Qingdao Port Group	Limited Liability Company	Qingdao, China	Li Fengli	Port operation and management

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

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

	31 December 2017	Increase in the current period	Decrease in the current period	31 December 2018
Qingdao Port Group	1,860,000,000	—	—	1,860,000,000

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

	31 December 2018		31 December 2017	
	Shareholding	Voting rights	Shareholding	Voting rights
Qingdao Port Group	58.48%	58.48%	58.45%	58.45%

### (2) Subsidiaries

The general information and other related information of the subsidiaries is set out in Note 6.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

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

Except for the information of significant joint ventures and associates disclosed in Note 6, other joint ventures and associates with which the Group conducts related party transactions are as follows:

<b>Name of company</b>	<b>Relationship with the Group</b>
West United	Joint venture
Qingwei Container	Joint venture
Evergreen Container	Joint venture
Orient Container	Joint venture
Haiwan Liquid Chemical	Joint venture
Ganghai Logistics	Joint venture
Shenzhouxing Cargo Agency	Joint venture
China Shipping Agency	Joint venture
United Shipping Agency	Joint venture
Huaneng Qingdao	Joint venture
Dongjiakou IMC Logistics	Joint venture
QDOT	Joint venture
Linyi Express	Joint venture
Dongjiakou Sinotrans Logistics	Joint venture
Binzhou Port QDP International Terminal	Joint venture
Lianrong Logistics	Joint venture
Ocean Bridge International	Joint venture
Yantai Logistics (i)	Former joint venture
Ganghua Logistics	Associate
Lianhai Logistics	Associate

- (i) As at 31 December 2018, the company acquired the remaining equity of Yantai Logistics, after the date of acquisition, it became the Company's subsidiary(Note 5(1)). From 1 January 2017 till acquisition date, the transactions between the Group and the above companies are still related party transactions.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (4) Other related parties

Name of company	Relationship with the Group
Qingdao Port (Group) Tongda Industrial Corporation	Controlled by the same parent company
Qingdao Harbour Vocational and Technical College ("QHVTC")	Controlled by the same parent company
Qingdao Fuwai Cardiovascular Hospital Co., Ltd. ("Fuwai Hospital")	Controlled by the same parent company
Qingdao Hongyu Grand Hotel ("Hongyu Hotel")	Controlled by the same parent company
Qingdao Laoshan Scenic Spot Yingzhu Holiday Village	Controlled by the same parent company
Qingdao Port Investment and Construction (Group) Co., Ltd. ("QDP Investment Group")	Controlled by the same parent company
Qingdao Port Investment of Real Estate Co., Ltd. ("QDP Investment Real Estate")	Controlled by the same parent company
Qingdao Port Investment Shipping Co., Ltd	Controlled by the same parent company
Qingdao Qianwan Construction Development Group Co., Ltd. ("Qianwan Construction")	Controlled by the same parent company
Qingdao Dongjiakou Railway Co., Ltd. ("Dongjiakou Railway")	Controlled by the same parent company
QD International Cruise	Controlled by the same parent company
Qingdao International Cruise Port Development & Construction Co., Ltd. ("QD Cruise Port Development")	Controlled by the same parent company
Qingdao Harbour Hospital Investment and management Co., Ltd. ("Harbour Hospital")	Controlled by the same parent company
Qingdao Port Travel Agency (i)	Controlled by the same parent company
Fund Management (i)	Controlled by the same parent company
Qingdao Leasing (i)	Controlled by the same parent company
Assets Management Company (i)	Controlled by the same parent company
Qingdao Port Financial Controlling Co., Ltd. ("Qingdao Financial Controlling")	Controlled by the same parent company
Qingdao Port Public Security Bureau	Controlled by the same parent company
Qingdao Port Micro Lending Co., Ltd. ("Micro Lending Company")	Controlled by the same parent company
Qingdao Port (Shenzhen) Commercial Insurance Co., Ltd., ("QDP Commercial Insurance")	Controlled by the same parent company
Qingdao Port Insurance Brokerage Co. Ltd.	Controlled by the same parent company
Qingdao Port Pilot Station Co. Ltd. ("Pilot Station")	Controlled by the same parent company
Qingdao Sheng Gang Investment Co., Ltd. ("Shenggang Investment") (ii)	Formerly Controlled by the same parent company
Qingdao Cruise Home Port China Duty Free Goods Co., Ltd.	Associate of the parent company



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

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

Name of company	Relationship with the Group
Qingdao Cruise Home Port Development & Construction Co., Ltd.	Associate of the parent company
Qingdao Gangsheng International Logistics and Refrigeration Co., Ltd. (“Gangsheng Logistics”)	Associate of the parent company
QQCTN	Subsidiary of QQCT, and sharing the same key management personnel with the Company
QQCTU	Joint venture of QQCTN, and sharing the same key management personnel with the Company
Qingdao Qianwan United Advanced Container Terminal Co., Ltd. (“QQCTUA”)	Joint venture of QQCTU, and sharing the same key management personnel with the Company
Qingdao Qianwan Intelligent Container Terminal Co., Ltd. (“QQCTI”)	Subsidiary of QQCTN, and sharing the same key management personnel with the Company
Qingdao Xi’an Xintong Logistics Co., Ltd. (“Xi’an Xintong”)	Joint venture of West United, and sharing the same key management personnel with the Company
Qingdao Dongjiakou Mineral Inspection Co., Ltd. (“Dongjiakou Mineral Inspection”)	Joint venture of QDOT, and sharing the same key management personnel with the Company
China Shipping Terminal (iii)	Shareholder of the Company
Ocean Shipping Co. (Qingdao), Ltd.	Shareholder of the Company
China Qingdao Ocean Shipping Agency Co., Ltd. (“Qingdao Ocean Shipping Agency”)	Controlled by COSCO shipping group
China Marine Bunker Qingdao Co., Ltd. (“China Marine Bunker Qingdao”)	Controlled by COSCO shipping group
Qingdao Zhongran Industrial Co., Ltd. (“Zhongran Industrial”)	Controlled by COSCO shipping group
Qingdao Gangwan International Logistics Co., Ltd. (“Gangwan Logistics”)	Controlled by COSCO shipping group
Shanghai Pan-Asia Shipping Co., Ltd. (“Shanghai Pan-Asia Shipping”)	Controlled by COSCO shipping group
Qingdao Ocean & Great Asia Logistics Co., Ltd. (“Ocean & Great Asia”)	Controlled by COSCO shipping group
Qingdao Ocean & Great Asia Bonded Logistics Co., Ltd.	Controlled by COSCO shipping group

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

Name of company	Relationship with the Group
COSCO Shipping Qingdao International Freight Co., Ltd. (Formerly: Qingdao Zhonghuo International Logistics Co.,Ltd.)	Controlled by COSCO shipping group
COSCO Logistics	Controlled by COSCO shipping group
COSCO Shipping Lines (Qingdao) Co., Ltd. (Formerly: COSCO International Freight Co., Ltd.) (“COSCO Shipping Lines Qingdao”)	Controlled by COSCO shipping group
China Shipping Container Lines (Qingdao) Co., Ltd.	Controlled by COSCO shipping group
Qingdao Xin Dong Fang Container Storage & Transportation Co., Ltd. (“Xin Dong Fang Container”)	Controlled by COSCO shipping group
Xinxinhai Shipping Co., Ltd. (Formerly: COSCO Southeast Asia Limited (“Xinxinhai Shipping”))	Controlled by COSCO shipping group
COSCO Qingdao Container Shipping Agency Co., Ltd.	Controlled by COSCO shipping group
COSCO Shipping Container Transportation Co., Ltd. (Formerly: COSCO Container Transport Co., Ltd.) (“COSCO Shipping Container Transportation”)	Controlled by COSCO shipping group
COSCO Shipping Agency Co., Ltd. (“COSCO Shipping Agency”)	Controlled by COSCO shipping group
Xi’an COSCO Shipping Logistics Co., Ltd.	Controlled by COSCO shipping group
COSCO International Shipping Logistics (Henan) Co., Ltd. (Formerly: COSCO International Logistics (Henan) Co., Ltd) (“COSCO Shipping Logistics (Henan)”) )	Controlled by COSCO shipping group
The Orient Overseas Container Line (China) Co., Ltd.	Controlled by COSCO shipping group
Guangzhou Zhenhua Shipping Co., Ltd.	Controlled by COSCO shipping group
COSCO Shipping Bulk Transportation Co., Ltd.	Controlled by COSCO shipping group
Qingdao COSCO Shipping Logistics International Storage and Transportation Co., Ltd.	Controlled by COSCO shipping group
China Marine Bunker YINDA Qingdao Co., Ltd.	Controlled by COSCO shipping group
Lianyungang Yuangang Logistics Co., Ltd.	Controlled by COSCO shipping group
COSCO Shipping Port Investment (Shanghai) Co., Ltd. (“COSCO Shipping Port Investment”)	Controlled by COSCO shipping group

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

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

Name of company	Relationship with the Group
COSCO Shipping Logistics (Lianyungang) Co., Ltd.	Controlled by COSCO shipping group
COSCO Shipping International Freight Co., Ltd.	Controlled by COSCO shipping group
COSCO Shipping Customs Clearance (Qingdao) Co., Ltd.	Controlled by COSCO shipping group
Shanghai Puhai Shipping Co., Ltd.	Controlled by COSCO shipping group
Qingdao Yuanyang Hongchi Logistics Co., Ltd. (“Yuanyang Hongchi Logistics”)	Controlled by COSCO shipping group
China Lianyungang Ocean Shipping Agency Co., Ltd. (“Lianyungang Ocean Shipping Agency”)	Controlled by COSCO shipping group
Qingdao Foreign Affairs Customs Co., Ltd.	Controlled by COSCO shipping group
Qingdao Xin Sanli Cold Box Technology Co., Ltd. (“Xin Sanli Cold Box Technology”)	Controlled by COSCO shipping group
COSCO Weizhi Container Logistics (Shanghai) Co., Ltd.	Controlled by COSCO shipping group

- (i) In 2018 and 2017, the Company disposed its 100% equity interests of Qingdao Port Travel Agency, Fund Management, Asset Management Company and Qingdao Leasing. After the disposal, the companies mentioned above were transformed into subsidiaries of Qingdao Port Group. From the date of disposal to 31 December 2018, the transactions between the Group and these companies were related party transactions.
- (ii) In 2017, the Company’s parent company Qingdao Port Group disposed its equity interests in Shenggang Investment. After the disposal, Shenggang Investment was not the related party of the Group. From 1 January 2017 to the date of disposal, the transactions between the Group and Shenggang Investment were related party transactions.
- (iii) The ultimate controlling party for China Shipping Terminal is China Ocean Shipping Group Co., Ltd. (“COSCO Shipping Group”). COSCO Shipping Group indirectly holds 20% of the company’s shares through Shanghai China Shipping Terminal, Qingdao Ocean Shipping and China Shipping Terminal Development.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (5) Related party transactions

#### (a) Purchase and sale of goods, and rendering and receiving of services

Purchase of goods or services:

	Contents of transactions	Pricing policies	2018	2017
QDOT	Purchase of services such as stevedoring and logistics	Arm's length principle	569,619,219	575,610,772
West United	Purchase of services such as stevedoring and logistics	Arm's length principle	136,918,155	110,230,411
Huaneng Qingdao	Purchase of services such as stevedoring and logistics	Arm's length principle	28,059,465	27,899,696
QQCTU	Purchase of services such as stevedoring and logistics	Arm's length principle	22,571,766	7,360,266
COSCO Shipping Lines Qingdao*	Purchase of services such as stevedoring and logistics	Arm's length principle	11,646,682	1,857,604
Hongyu Hotel*	Purchase of catering services	Arm's length principle	11,574,317	9,501,111
Fuwai Hospital*	Purchase of medical services	Arm's length principle	11,235,412	8,174,948
QDP Investment Group*	Purchase of services such as stevedoring and logistics	Arm's length principle	9,431,785	4,975,094
QQCT	Purchase of services such as stevedoring and logistics	Arm's length principle	6,952,364	1,759,366
Qingdao Ocean Shipping Agency*	Purchase of services such as stevedoring and logistics	Arm's length principle	3,842,483	787,952
COSCO Shipping Logistics (Henan)*	Purchase of services such as stevedoring and logistics	Arm's length principle	2,337,919	32,175
Qingdao Shihua	Purchase of services such as stevedoring and logistics	Arm's length principle	2,015,402	24,872,340
Gangwan Logistics*	Purchase of services such as stevedoring and logistics	Arm's length principle	1,761,530	—
Lianhai Logistics*	Purchase of services such as stevedoring and logistics	Arm's length principle	1,605,573	—
Linyi Express	Purchase of services such as stevedoring and logistics	Arm's length principle	1,525,527	618,512
COSCO Shipping Lines*	Purchase of services such as stevedoring and logistics	Arm's length principle	1,432,900	—

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (5) Related party transactions

#### (a) Purchase and sale of goods, and rendering and receiving of services (Continued)

Purchase of goods or services (Continued):

	Contents of transactions	Pricing policies	2018	2017
Shenzhouxing Cargo Agency*	Purchase of services such as stevedoring and logistics	Arm's length principle	1,134,384	300,132
Evergreen Container	Purchase of services such as stevedoring and logistics	Arm's length principle	975,864	661,114
Dongjiakou Mineral Inspection	Purchase of services such as stevedoring and logistics	Arm's length principle	861,478	748,271
Ocean & Great Asia*	Purchase of services such as stevedoring and logistics	Arm's length principle	593,633	226,795
Xi'an Xintong	Purchase of services such as stevedoring and logistics	Arm's length principle	—	820,513
Other companies of Qingdao Port Group*	Purchase of services such as stevedoring and logistics	Arm's length principle	2,662,629	581,669
Other companies of COSCO Shipping Group*	Purchase of services such as stevedoring and logistics	Arm's length principle	1,150,451	7,075,252
Other related parties	Purchase of services such as stevedoring, logistics, training, traveling and factoring	Arm's length principle	1,981,885	609,014
			<b>831,890,823</b>	<b>784,703,007</b>
China Marine Bunker Qingdao*	Purchasing fuel	Arm's length principle	93,702,161	143,885,202
Zhongran Industrial*	Purchasing fuel	Arm's length principle	1,108,758	—
			<b>94,810,919</b>	<b>143,885,202</b>
			<b>926,701,742</b>	<b>928,588,209</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (a) Purchase and sale of goods, and rendering and receiving of services (Continued)

Selling goods and rendering services:

	Contents of transactions	Pricing policies	2018	2017
QQCT	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	201,161,226	251,723,089
Dongjiakou IMC Logistics	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	169,559,362	77,542,329
Qingdao Ocean Shipping Agency*	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	132,169,333	115,568,357
Qingdao Shihua	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	118,233,182	112,220,440
QQCTU	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	98,287,944	79,843,016
QDOT	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	86,699,202	78,800,124
Ocean & Great Asia*	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	49,106,219	45,187,251
Shenzhouxing Cargo Agency*	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	45,526,843	35,012,848
Evergreen Container	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	27,542,018	21,790,730
QQCTN	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	26,319,626	35,130,626
QDP Investment Group*	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	25,348,002	24,761,259
QQCTUA	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	24,979,653	33,631,629
Qingdao Port Group*	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	23,478,069	23,127,289
COSCO Shipping Container Transportation*	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	15,133,757	17,244,463
Orient Container**	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	14,089,286	10,327,850

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (a) Purchase and sale of goods, and rendering and receiving of services (Continued)

Selling goods and rendering services (Continued):

	Contents of transactions	Pricing policies	2018	2017
West United	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	13,577,577	8,511,308
Lianhai Logistics*	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	13,147,811	—
Shanghai Pan-Asia Shipping*	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	10,389,715	10,810,143
Binzhou Port QDP International Terminal	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	10,157,094	10,297,654
COSCO Shipping Lines Qingdao*	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	10,071,485	31,664,629
Ganghai Logistics	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	9,277,843	3,036,121
Lianrong Logistics	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	8,423,391	10,388,648
QHVTC*	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	8,157,357	257,650
Ganghua Logistics	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	6,670,354	5,204,069
COSCO Logistics*	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	3,396,560	972,202
Xinxinhai Shipping*	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	3,328,163	3,506,730
Ocean Bridge International*	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	3,223,434	—
Xi'an Xintong	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	2,892,079	1,803,441
Haiwan Liquid Chemical	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	1,627,453	2,076,381

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (a) Purchase and sale of goods, and rendering and receiving of services (Continued)

Selling goods and rendering services (Continued):

	Contents of transactions	Pricing policies	2018	2017
QDP Investment Real Estate*	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	1,020,932	887,357
Micro Lending Company*	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	986,249	321,771
QD International Cruise*	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	952,284	894,129
Dongjiakou Mineral Inspection	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	928,861	1,053,196
Huaneng Qingdao	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	851,627	822,392
Qingdao Financial Controlling*	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	820,450	550,247
Assets Management Company*	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	802,152	40,218
QD Cruise Port Development*	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	538,127	2,321,068
Yantai Logistics	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	—	6,061,578
COSCO Shipping Agency	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	—	1,162,612
Other companies of Qingdao Port Group*	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	4,039,968	2,798,685
Other companies of COSCO Shipping Group*	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	2,746,726	2,652,583
Other related parties	Provision of services such as transportation, stevedoring and repairing	Arm's length principle	490,536	2,320,299
			<b>1,176,151,950</b>	<b>1,072,326,411</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (a) Purchase and sale of goods, and rendering and receiving of services (Continued)

Selling goods and rendering services (Continued):

	Contents of transactions	Pricing policies	2018	2017
QQCTN	Provision of construction services	Arm's length principle	236,499,111	225,506,506
QDOT	Provision of construction services	Arm's length principle	120,828,528	241,367,974
QDP Investment Group*	Provision of construction services	Arm's length principle	89,813,097	90,482,596
QQCT	Provision of construction services	Arm's length principle	41,493,863	21,820,341
Qingdao Port Group*	Provision of construction services	Arm's length principle	33,971,797	36,748,867
Qingdao Shihua	Provision of construction services	Arm's length principle	29,411,696	13,495,305
West United	Provision of construction services	Arm's length principle	15,387,351	38,870,754
Evergreen Container	Provision of construction services	Arm's length principle	3,554,132	328,289
Lianrong Logistics	Provision of construction services	Arm's length principle	3,463,280	—
Orient Container**	Provision of construction services	Arm's length principle	3,379,532	1,072,998
Fuwai Hospital*	Provision of construction services	Arm's length principle	2,794,979	20,776,776
Huaneng Qingdao	Provision of construction services	Arm's length principle	2,562,717	441,218
Shenzhouxing Cargo Agency*	Provision of construction services	Arm's length principle	2,443,035	403,365
QQCTU	Provision of construction services	Arm's length principle	2,030,546	33,862,629
Haiwan Liquid Chemical	Provision of construction services	Arm's length principle	567,693	23,331,379
QHVTIC*	Provision of construction services	Arm's length principle	—	35,289,781
QDP Investment Real Estate*	Provision of construction services	Arm's length principle	—	18,443,087
Other companies of COSCO Shipping Group*	Provision of construction services	Arm's length principle	1,537,608	—
Other companies of Qingdao Port Group*	Provision of construction services	Arm's length principle	439,214	1,113,667
Other related parties	Provision of construction services	Arm's length principle	1,066,316	463,919
			<b>591,244,495</b>	<b>803,819,451</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (a) Purchase and sale of goods, and rendering and receiving of services (Continued)

Selling goods and rendering services (Continued):

	Contents of transactions	Pricing policies	2018	2017
QDOT	Sales of water, electricity, steam and oil, etc	Arm's length principle	139,081,889	118,105,052
QQCT	Sales of water, electricity, steam and oil, etc	Arm's length principle	121,481,757	131,829,484
QQCTN	Sales of water, electricity, steam and oil, etc	Arm's length principle	32,799,330	9,346,478
West United	Sales of water, electricity, steam and oil, etc	Arm's length principle	13,318,735	12,909,422
QQCTUA	Sales of water, electricity, steam and oil, etc	Arm's length principle	12,970,859	14,379,311
Qingdao Shihua	Sales of water, electricity, steam and oil, etc	Arm's length principle	9,188,734	9,380,839
QQCTU	Sales of water, electricity, steam and oil, etc	Arm's length principle	8,516,617	6,641,548
Evergreen Container	Sales of water, electricity, steam and oil, etc	Arm's length principle	4,886,159	3,801,631
Shenzhouxing Cargo Agency*	Sales of water, electricity, steam and oil, etc	Arm's length principle	4,433,854	3,281,456
QD International Cruise*	Sales of water, electricity, steam and oil, etc	Arm's length principle	3,684,658	2,093,990
Orient Container**	Sales of water, electricity, steam and oil, etc	Arm's length principle	2,249,454	2,363,789
QDP Investment Group*	Sales of water, electricity, steam and oil, etc	Arm's length principle	2,207,986	2,237,912
Ganghai Logistics*	Sales of water, electricity, steam and oil, etc	Arm's length principle	1,474,727	—
Haiwan Liquid Chemical	Sales of water, electricity, steam and oil, etc	Arm's length principle	1,469,981	1,416,493
Huaneng Qingdao	Sales of water, electricity, steam and oil, etc	Arm's length principle	1,392,047	1,892,742
Lianrong Logistics	Sales of water, electricity, steam and oil, etc	Arm's length principle	1,339,955	964,639
Qingdao Port Public Security Bureau*	Sales of water, electricity, steam and oil, etc	Arm's length principle	1,184,689	1,150,193
Qingdao Port Group*	Sales of water, electricity, steam and oil, etc	Arm's length principle	1,047,777	3,289,879
Fuwai Hospital*	Sales of water, electricity, steam and oil, etc	Arm's length principle	161,616	859,250
QD Cruise Port Development*	Sales of water, electricity, steam and oil, etc	Arm's length principle	83,802	2,992,680
Xin Dong Fang Container*	Sales of water, electricity, steam and oil, etc	Arm's length principle	11,345	286,172
Other companies of Qingdao Port Group*	Sales of water, electricity, steam and oil, etc	Arm's length principle	1,122,610	822,140
Other companies of COSCO Shipping Group*	Sales of water, electricity, steam and oil, etc	Arm's length principle	235,958	830,206
Other related parties	Sales of water, electricity, steam and oil, etc	Arm's length principle	1,371,185	1,106,178
			<b>365,715,724</b>	<b>331,981,484</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (a) Purchase and sale of goods, and rendering and receiving of services (Continued)

Selling goods and rendering services (Continued):

	Contents of transactions	Pricing policies	2018	2017
QDP Investment Group*	Sales of port machinery and other equipment	Arm's length principle	126,915,690	294,872
QQCT	Sales of port machinery and other equipment	Arm's length principle	121,875,584	78,244,461
QDOT	Sales of port machinery and other equipment	Arm's length principle	37,291,217	106,152,230
QQCTN	Sales of port machinery and other equipment	Arm's length principle	29,204,647	62,685,459
West United	Sales of port machinery and other equipment	Arm's length principle	7,651,150	—
QQCTU	Sales of port machinery and other equipment	Arm's length principle	6,249,153	788,079
QQCTUA	Sales of port machinery and other equipment	Arm's length principle	307,312	102,564
Other companies of COSCO Shipping Group*	Sales of port machinery and other equipment	Arm's length principle	232,688	—
Other companies of Qingdao Port Group*	Sales of port machinery and other equipment	Arm's length principle	—	9,726
Other related parties	Sales of port machinery and other equipment	Arm's length principle	202,678	512,821
			<u>329,930,119</u>	<u>248,790,212</u>
			<u>2,463,042,288</u>	<u>2,456,917,558</u>

(i) Tongze Trading, a subsidiary of the Company, provides agency procurement services to related parties of the Group. The transaction amount is agency service fee, which is reflected in the above transaction amount.

(ii) \* These transactions are continuing connected transactions that have complied with the disclosure requirements of Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

\*\* On 24 July 2018, COSCO Shipping Holdings Co., Ltd., a substantial shareholder of the Company, acquired more than 50% of the issued shares of OOCL ("Oriental Overseas"). Therefore, the transactions between the Group and Donggang Containers, a joint venture of OOCL, from 25 July 2018 to 31 December 2018 also met the above-mentioned continuing connected transactions. Orient Container has been a joint venture of the Group before 24 July 2018. The transaction amount of Orient Container has been included in the related transactions of the financial statements in 2018 and 2017.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (b) Leases

The Group acts as a lessor:

	Type of leased assets	Rental income confirmed in 2018	Rental income confirmed in 2017
Qingdao Shihua	Buildings, storage facilities and machinery & equipment	440,461,312	354,013,351
QQCT	Buildings, storage facilities, terminal facilities and vehicles	228,295,922	229,062,846
QDOT	Storage facilities and vehicles	11,969,963	31,805,018
QQCTU	Buildings, storage facilities and vehicles	10,071,313	9,362,741
Evergreen Container	Buildings, storage facilities	9,483,485	9,221,091
Orient Container**	Storage facilities	7,230,476	6,131,729
Lianhai Logistics*	Storage facilities and machinery & equipment	5,697,726	—
Lianrong Logistics	Storage facilities	4,482,264	3,306,695
Binzhou Port QDP International Terminal	Machinery and equipment	4,360,157	5,522,709
QQCTN	Terminal facilities and vehicles	3,813,445	2,642,017
Xi'an Xintong	Storage facilities	3,651,558	—
QQCTUA	Storage facilities	1,742,857	2,438,095
Shenzhouxing Cargo Agency*	Storage facilities and machinery & equipment	1,527,892	16,447,716
West United	Buildings and machinery & equipment	545,739	5,418,947
Ocean & Great Asia*	Storage facilities	—	5,774,381
Gangwan Logistics*	Storage facilities	—	5,317,211
Xin Dong Fang Container*	Storage facilities	—	3,879,063
Other companies of COSCO Shipping Group*	Storage facilities and machinery & equipment	27,323	153,070
Other related parties	Buildings, storage facilities and machinery & equipment	1,738,107	589,774
		<b>735,099,539</b>	<b>691,086,454</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (b) Leases (Continued)

The Group acts as a lessee:

		<b>Lease fee confirmed in 2018</b>	Lease fee confirmed in 2017
Qingdao Port Group*	Buildings, storage facilities	<b>80,091,498</b>	74,555,593
QQCTN	Storage facilities	<b>14,557,335</b>	—
West United	Buildings, storage facilities	<b>9,707,470</b>	3,301,887
QDP Investment Group*	Buildings, storage facilities	<b>8,705,811</b>	4,155,903
QQCTU	Storage facilities	<b>3,322,636</b>	5,384,713
QQCT	Machinery & equipment	<b>1,225,517</b>	1,256,915
Other companies of Qingdao Port Group*	Buildings	<b>753,143</b>	—
Other related parties	Buildings, storage facilities and machinery & equipment	<b>1,784,370</b>	380,000
		<b><u>120,147,780</u></b>	<b><u>89,035,011</u></b>

\* These transactions are continuing connected transactions that have complied with the disclosure requirements of Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

\*\* On 24 July 2018, COSCO Shipping Holdings Co., Ltd., a substantial shareholder of the Company, acquired more than 50% of the issued shares of OOCL (“Oriental Overseas”). Therefore, the transactions between the Group and Donggang Containers, a joint venture of OOCL, from 25 July 2018 to 31 December 2018 also met the above-mentioned continuing connected transactions. Orient Container has been a joint venture of the Group before 24 July 2018. The transaction amount of Orient Container has been included in the related transactions of the financial statements in 2018 and 2017.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (c) Finance lease and capital loans

Lend out -

	Amount	Starting date	Due Date
QDOT	30,000,000	2017-07-21	2018-07-20
QDOT	30,000,000	2017-12-01	2018-11-30
QQCT	30,362,342	2017-04-27	2020-04-27
QQCT	900,000,000	2017-07-26	2020-07-25
QQCTN	255,000,000	2017-10-17	2019-10-16
QQCTU	50,000,000	2017-09-28	2018-09-27
QQCTU	60,000,000	2017-10-20	2018-10-19
Huaneng Qingdao	60,000,000	2017-12-28	2018-06-27
Haiwan Liquid Chemical	28,900,249	2017-01-22	2022-01-21
Haiwan Liquid Chemical	5,235,789	2017-04-28	2021-04-27
Haiwan Liquid Chemical	8,881,001	2017-05-23	2021-05-22
Haiwan Liquid Chemical	2,438,365	2017-06-23	2021-06-22
Haiwan Liquid Chemical	1,967,990	2017-07-24	2021-07-23
Haiwan Liquid Chemical	956,593	2017-08-24	2021-08-23
Haiwan Liquid Chemical	3,193,557	2017-09-12	2021-09-11
Haiwan Liquid Chemical	5,759,280	2017-10-27	2021-10-26
Haiwan Liquid Chemical	6,575,431	2017-11-27	2021-11-26
Haiwan Liquid Chemical	3,378,777	2017-12-25	2021-12-24
Yuntai Logistics	10,000,000	2017-02-07	2018-02-06
Yuntai Logistics	30,000,000	2017-03-09	2018-03-08
Yuntai Logistics	20,000,000	2017-05-18	2018-05-17
West United	16,000,000	2017-03-14	2018-03-13
West United	30,000,000	2017-05-15	2018-05-14
Fuwai Hospital	15,000,000	2017-03-27	2018-03-26
Fuwai Hospital	134,000,000	2017-04-28	2022-04-27
Fuwai Hospital	10,000,000	2017-06-26	2018-06-25
Fuwai Hospital	20,000,000	2017-07-26	2018-07-25
Fuwai Hospital	10,000,000	2017-10-27	2018-10-26
Fuwai Hospital	4,000,000	2017-11-29	2018-11-28
Fuwai Hospital	10,000,000	2017-12-22	2018-12-21
Qingdao Leasing	80,000,000	2017-09-27	2020-12-29
Qingdao Leasing	79,000,000	2017-11-29	2020-12-29
	<u>1,950,649,374</u>		

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (c) Finance lease and capital loans (Continued)

Lend out - (Continued)

	Amount	Starting date	Due Date
QDOT	60,000,000	2018-01-02	2019-01-01
QDOT	330,000,000	2018-01-02	2018-03-30
QDOT	50,000,000	2018-03-30	2019-03-29
QDOT	30,000,000	2018-03-30	2018-04-28
QDOT	60,000,000	2018-03-30	2018-05-29
QDOT	180,000,000	2018-03-30	2018-06-04
QQCTN	100,000,000	2018-01-31	2023-01-30
QQCTN	200,000,000	2018-02-11	2023-02-10
QQCTN	350,000,000	2018-02-24	2023-02-23
QQCTN	48,000,000	2018-02-28	2019-02-27
QQCTN	88,000,000	2018-03-13	2023-03-12
QQCTN	40,000,000	2018-03-19	2019-03-18
Haiwan Liquid Chemical	69,100,000	2018-01-02	2018-06-06
Haiwan Liquid Chemical	10,885,400	2018-01-22	2022-01-21
Haiwan Liquid Chemical	224,000	2018-01-26	2019-01-25
Haiwan Liquid Chemical	4,856,000	2018-02-11	2022-02-10
Haiwan Liquid Chemical	17,740,000	2018-03-28	2021-03-27
West United	16,000,000	2018-03-13	2019-03-12
West United	13,000,000	2018-04-28	2019-04-27
Fuwai Hospital	21,000,000	2018-03-27	2019-03-26
Fuwai Hospital	6,000,000	2018-04-25	2019-04-24
Fuwai Hospital	30,000,000	2018-07-26	2019-07-25
Qingdao Leasing	22,244,400	2018-01-25	2020-06-24
Qingdao Leasing	3,922,500	2018-03-29	2021-03-28
Qingdao Leasing	32,400,000	2018-03-29	2021-03-28
Qingdao Leasing	32,400,000	2018-04-26	2021-04-25
Qingdao Leasing	18,102,000	2018-05-29	2025-05-28
Qingdao Leasing	7,872,750	2018-05-29	2021-05-28
Qingdao Leasing	217,500,000	2018-06-07	2019-06-06

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (c) Finance lease and capital loans (Continued)

Lend out - (Continued)

	Amount	Starting date	Due Date
Qingdao Leasing	585,000,000	2018-06-07	2021-06-06
Qingdao Leasing	7,872,750	2018-06-22	2021-06-21
Qingdao Leasing	13,719,000	2018-06-28	2025-06-27
Qingdao Leasing	1,662,525	2018-07-09	2021-07-08
Qingdao Leasing	33,400,000	2018-07-26	2020-07-25
Qingdao Leasing	6,822,450	2018-08-31	2021-08-30
Qingdao Leasing	350,000,000	2018-11-05	2019-11-04
Qingdao Leasing	1,970,000	2018-12-06	2021-12-05
	<u>3,059,693,775</u>		

Maturity dates of the above loans refer to final maturity dates agreed in the contracts.

In addition to the loans mentioned above, for the year ended 31 December 2018, the Company's subsidiary Qingdao Finance provided discounted notes of RMB 32,330,429 and RMB 1,173,675 to related parties QDOT and Haiwan Liquid Chemical, respectively; for the year ended 31 December 2017 the Company's subsidiary, Qingdao Finance, provided discounted notes of RMB 228,065,035 and RMB 1,052,788 to related parties QDOT and Haiwan Liquid Chemical, respectively.

Finance lease and obtaining factoring loan-

	Amount	Starting date	Due Date
QDP Commercial Insurance	7,980,000	2017-12-15	2018-02-13
Qingdao Leasing	11,782,338	2017-11-10	2022-11-10
Qingdao Leasing	43,090,550	2017-12-20	2022-12-20
	<u>62,852,888</u>		



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (c) Finance lease and capital loans (Continued)

Finance lease and obtaining factoring loan- (Continued)

	Amount	Starting date	Due Date
QDP Commercial Insurance	7,175,000	2018-01-24	2018-04-17
QDP Commercial Insurance	7,000,000	2018-02-06	2018-04-13
QDP Commercial Insurance	30,100,000	2018-02-07	2018-05-06
QDP Commercial Insurance	47,745,000	2018-02-13	2018-04-12
QDP Commercial Insurance	15,330,000	2018-03-05	2018-05-31
QDP Commercial Insurance	3,800,000	2018-03-07	2018-05-03
QDP Commercial Insurance	8,100,000	2018-03-15	2018-06-13
QDP Commercial Insurance	5,220,000	2018-03-28	2018-05-28
QDP Commercial Insurance	6,000,000	2018-05-28	2018-06-13
QDP Commercial Insurance	17,000,000	2018-05-31	2018-06-29
QDP Commercial Insurance	10,000,000	2018-08-30	2018-12-05
QDP Commercial Insurance	8,710,000	2018-08-31	2018-12-05
QDP Commercial Insurance	7,500,000	2018-12-11	2019-01-11
QDP Commercial Insurance	16,278,780	2018-12-27	2019-01-14
Qingdao Leasing	14,080,793	2018-03-29	2023-03-29
Qingdao Leasing	5,312,597	2018-03-29	2021-03-10
Qingdao Leasing	28,841,828	2018-05-14	2025-05-14
Qingdao Leasing	8,250,440	2018-05-29	2023-05-29
Qingdao Leasing	10,625,520	2018-05-30	2021-05-30
Qingdao Leasing	7,613,102	2018-06-08	2023-06-08
Qingdao Leasing	10,625,520	2018-06-22	2021-06-22
Qingdao Leasing	6,534,914	2018-08-31	2023-08-31
Qingdao Leasing	985,345	2018-07-23	2023-07-23
Qingdao Leasing	1,910,948	2018-08-30	2023-08-30
Qingdao Leasing	6,247,456	2018-11-27	2023-11-27
Qingdao Leasing	2,357,276	2018-11-27	2023-11-27
Qingdao Leasing	1,698,276	2018-12-05	2021-12-05
	<u>295,042,795</u>		

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (c) Finance lease and capital loans (Continued)

Interest income from loans and finance lease –

	2018	2017
QQCTN	65,279,595	41,229,711
Qingdao Leasing	42,982,134	4,081,449
QQCTU	28,982,429	68,015,638
QDOT	23,638,081	41,134,620
QQCT	17,350,694	18,283,559
Fuwai Hospital	8,742,307	6,331,143
Haiwan Liquid Chemical	4,269,071	4,791,651
West United	2,027,044	8,289,344
Qingwei Container	1,765,504	5,709,802
Yuntai Logistics	—	2,858,302
Other related parties	170,991	889,651
	<b>195,207,850</b>	<b>201,614,870</b>

Interest expenses for customer deposits and borrowing –

	2018	2017
Qingdao Port Group	29,184,036	46,978,555
Qingdao Leasing	28,270,530	8,467,533
QQCT	20,026,922	12,177,411
Qingdao Shihua	4,494,218	3,838,714
Qingdao Financial Controlling	3,975,511	1,893,799
QQCTI	2,362,920	2,392,429
QQCTN	2,046,446	3,643,042
QDP Commercial Insurance	1,538,068	94,897
QQCTU	1,245,237	866,262
Fuwai Hospital	1,040,814	1,128,445
QD Cruise Port Development	942,773	998,056
Ganghai Logistics	524,393	255,717
QQCTUA	493,072	582,734
QDP Investment Group	478,468	1,455,389
QDOT	421,859	282,503
Orient Container	331,605	298,470
Evergreen Container	290,171	216,961
West United	280,206	109,438
Dongjiakou IMC Logistics	63,545	2,722,951
Other related parties	1,900,120	2,315,241
	<b>99,910,914</b>	<b>90,718,547</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (d) Asset acquisition and asset transfer

	Contents of transactions	Pricing policies	2018	2017
Asset acquisition:				
Qingdao Port Group	Asset acquisition	Arm's length principle	—	305,289,966
QDP Investment Group	Asset acquisition	Arm's length principle	—	216,750,903
QQCT	Asset acquisition	Arm's length principle	—	18,080,920
			<u>—</u>	<u>540,121,789</u>
Asset transfer:				
QDOT	Asset transfer	Arm's length principle	—	385,742,778
			<u>—</u>	<u>385,742,778</u>

#### (e) Acquisition of equity in subsidiaries and joint ventures and disposal of subsidiaries

In 2018, the Group disposed its equity held in Qingdao Port Travel Agency to International Cruise. Please refer to Note 5(2) for relevant disclosures.

#### (f) Remuneration of key management

	2018	2017
Remuneration of key management	<u>8,354,532</u>	<u>8,071,770</u>

#### (g) Other related party transactions

##### (i) Entrusted construction project for related parties

	2018	2017
Amount paid on behalf to external parties –		
Qingdao Port Group	—	27,876,295
Qingdao Shihua	—	13,430,471
QQCTN	—	9,757,126
	<u>—</u>	<u>51,063,892</u>
Amount received from related parties –		
Qingdao Port Group	—	32,248,023
QQCTN	—	26,638,182
Qingdao Shihua	—	17,683,500
	<u>—</u>	<u>76,569,705</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (g) Other related party transactions (Continued)

- (ii) Port construction fees, harbour dues and port facility security expenses received and paid on behalf of related parties

	2018	2017
Funds received under the entrustment of related parties –		
QQCT	564,069,246	598,087,327
QQCTU	260,731,975	222,502,879
QQCTN	45,334,009	14,056,663
QQCTUA	34,772,677	40,728,837
	<u>904,907,907</u>	<u>875,375,706</u>
Funds paid to related parties –		
QQCT	564,994,530	597,891,017
QQCTU	249,016,317	220,762,446
QQCTN	45,267,272	13,021,505
QQCTUA	34,499,930	41,071,147
	<u>893,778,049</u>	<u>872,746,115</u>

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

- (iii) Port dues collected by related parties on behalf of the Company

	2018	2017
Qingdao Shihua	132,729,396	102,273,578
QQCT	80,586,724	84,692,918
QQCTU	27,219,648	27,717,728
QQCTN	12,453,055	3,559,200
QDOT	7,253,277	8,268,161
West United	6,887,154	6,388,217
QQCTUA	5,151,106	5,684,166
	<u>272,280,360</u>	<u>238,583,968</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (g) Other related party transactions (Continued)

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

In 2017 and previous years, the recognised early retirement and supplemental retirement benefit liabilities of RMB 73,206,341 were transferred to the Group by Qingdao Port Group to further deduct the debts owned by the Group to Qingdao Port Group, and will be paid by the Group in future.

In 2018, the Group paid early retirement and supplemental retirement benefits of RMB 2,174,255 (2017: RMB 2,624,347) on behalf of Qingdao Port Group. As at 31 December 2018, a total of RMB 14,622,616 has been paid.

In the coming years, the Group will manage these early retired and retired employees on behalf of Qingdao Port Group and make relevant payments to such employees. Payables within one year are listed in other payables, otherwise are recorded in long-term payables (Note 4(29)).

- (v) For the year ended 31 December 2018, the supplier of agent purchasing business of International Trade Logistics, a subsidiary of the Company, applied for factoring financing of RMB 257,432,000 with recourse from QDP Commercial Insurance, a related party of the Company, using its receivables from International Trade Logistics. According to the business arrangement, after the factoring financing business matured, International Trade Logistics pay the above factoring financing principal and relevant interest directly to QDP Commercial Insurance. As at 31 December 2018, factoring financing principal and relevant interest of RMB 14,719,936 are not matured (As at 31 December 2017: RMB 36,057,800).

- (vi) Other amount collected and paid on behalf of related parties

The Company's subsidiary, Qingdao Finance, issued the notes on behalf of the related parties. Please refer to Note 11(4).

- (vii) Guarantee

Qingdao Shihua, the Company's joint venture, signed a contract with Shanghai international energy trading center Co., Ltd. and was designated to be the delivery warehouses by Shanghai international energy trading center on 13 February 2018. The Company take irrevocable joint and several warrant liability for Qingdao Shihua's responsibility arise from business related to warehousing, storage, outbound, delivery of crude oil futures. The guarantee period is two years from the commence date of Qingdao Shihua's responsibility. As at 31 December 2018, no relevant business transaction has taken place in Qingdao Shihua.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (a) Notes receivable and accounts receivable

Notes receivable –

	31 December 2018		31 December 2017	
	Amount	Provision for bad debts	Amount	Provision for bad debts
West United	26,251,993	(1,312,600)	35,520,000	—
QDP Investment Group	11,999,764	(599,988)	—	—
Fuwai Hospital	—	—	6,000,000	—
Yuntai Logistics	—	—	4,610,000	—
	<b>38,251,757</b>	<b>(1,912,588)</b>	<b>46,130,000</b>	<b>—</b>

Accounts receivable –

	31 December 2018		31 December 2017	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QQCTN	194,041,166	(9,846,333)	467,883,993	(23,394,200)
QDOT	164,538,301	(9,728,304)	164,635,761	(8,494,253)
QDP Investment Group	128,132,282	(6,406,614)	41,359,511	(2,067,976)
Qingdao Port Group	80,015,369	(5,599,547)	125,094,761	(6,323,428)
QQCTU	56,100,976	(3,332,894)	40,293,409	(2,132,610)
West United	44,809,938	(2,522,010)	42,053,928	(2,127,696)
QQCT	24,183,824	(1,221,226)	35,396,802	(1,778,878)
Dongjiakou IMC Logistics	21,344,658	(1,067,233)	8,122,909	(406,145)
Haiwan Liquid Chemical	19,154,533	(1,095,109)	14,233,498	(711,675)
Qingdao Shihua	17,085,788	(862,250)	11,188,777	(559,439)
QDP Investment Real Estate	11,649,156	(1,151,615)	11,387,186	(1,052,908)
Shenzhouxing Cargo Agency	11,303,837	(565,192)	7,045,519	(352,276)
Huaneng Qingdao	9,764,093	(488,205)	2,325	(116)
Lianhai Logistics	8,522,263	(426,113)	—	—
Ocean & Great Asia	8,159,341	(407,967)	5,009,010	(250,451)
Evergreen Container	6,245,287	(312,264)	3,200,000	(160,000)
Xi'an Xintong	5,771,116	(288,556)	135,460	(6,773)
Lianrong Logistics	5,587,260	(279,363)	1,460,489	(73,024)
Orient Container	5,080,433	(254,022)	2,883,559	(144,178)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

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

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

Accounts receivable – (Continued)

	31 December 2018		31 December 2017	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QQCTUA	4,375,690	(218,785)	3,993,738	(202,312)
Ocean Bridge International	3,222,412	(161,121)	—	—
QHVTC	2,333,493	(116,675)	—	—
Fuwai Hospital	2,283,369	(114,168)	18,288,627	(914,431)
Shanghai Pan-Asia Shipping	1,799,584	(89,979)	2,045,001	(102,249)
QD International Cruise	905,179	(70,882)	1,934,070	(96,703)
COSCO Shipping				
Container Transportation	708,485	(35,424)	1,485,195	(74,260)
Other related parties	2,503,878	(145,183)	3,360,593	(168,030)
	<b>839,621,711</b>	<b>(46,807,034)</b>	<b>1,012,494,121</b>	<b>(51,594,011)</b>
	<b>877,873,468</b>	<b>(48,719,622)</b>	<b>1,058,624,121</b>	<b>(51,594,011)</b>

#### (b) Contract asset

	31 December 2018		31 December 2017	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QDP Investment Group	75,256,103	(4,390,814)	—	—
QDOT	47,260,547	(3,232,944)	—	—
QQCTN	76,183,269	(5,080,545)	—	—
QQCT	47,442,081	(2,422,611)	—	—
QHVTC	14,226,307	(1,308,527)	—	—
Evergreen Container	2,786,136	(140,880)	—	—
QQCTU	2,269,119	(226,912)	—	—
Other related parties	651,064	(34,135)	—	—
	<b>266,074,626</b>	<b>(16,837,368)</b>	<b>—</b>	<b>—</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (c) Advances to suppliers

	<b>31 December 2018</b>	31 December 2017
Shanghai Pan-Asia Shipping	<b>4,988,618</b>	5,088,091
QQCTU	<b>2,696,054</b>	3,131,429
West United	<b>2,000,000</b>	2,000,000
COSCO Shipping Lines Qingdao	<b>1,418,723</b>	756,055
QQCT	<b>757,545</b>	969,635
Hongyu Hotel	<b>443,049</b>	286,000
Other related parties	<b>139,945</b>	267,057
	<b>12,443,934</b>	12,498,267

#### (d) Other receivables

Interest receivables –

	<b>31 December 2018</b>		31 December 2017	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Qingdao Leasing	<b>2,251,852</b>	<b>(112,593)</b>	339,088	—
QQCTN	<b>1,046,726</b>	<b>(52,336)</b>	1,360,604	—
QQCT	<b>322,208</b>	<b>(16,110)</b>	1,306,250	—
QQCTU	—	—	2,262,597	—
QDOT	—	—	1,079,388	—
Other related parties	<b>187,019</b>	<b>(9,351)</b>	910,264	—
	<b>3,807,805</b>	<b>(190,390)</b>	7,258,191	—



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (d) Other receivables (Continued)

Closing balance of loans provided –

	31 December 2018		31 December 2017	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Qingdao Leasing	567,500,000	(11,324,574)	—	—
QQCTN	88,000,000	(486,810)	—	—
QDOT	—	—	147,472,878	(2,380,732)
QQCTU	—	—	110,000,000	(2,250,000)
Fuwai Hospital	—	—	69,000,000	(1,725,000)
Huaneng Qingdao	—	—	60,000,000	(1,500,000)
Yuntai Logistics	—	—	60,000,000	(1,500,000)
West United	—	—	46,000,000	(1,150,000)
	<b>655,500,000</b>	<b>(11,811,384)</b>	<b>492,472,878</b>	<b>(10,505,732)</b>

Other –

	31 December 2018		31 December 2017	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QDOT	11,706,813	(585,341)	226,003,198	(11,300,160)
Qingdao Leasing	9,976,400	(498,820)	—	—
West United	7,097,554	(354,878)	8,242,308	(412,115)
QQCTU	5,829,406	(299,787)	7,000,243	(355,825)
Qingdao Shihua	4,614,704	(230,735)	2,010,923	(100,546)
Dongjiakou IMC Logistics	3,293,808	(164,690)	2,606,329	(130,316)
QD International Cruise	3,218,118	(160,906)	—	—
QQCTN	2,968,372	(151,539)	468,416	(23,421)
QQCT	2,655,775	(143,431)	260,980	(13,049)
Evergreen Container	2,469,359	(123,468)	362,500	(18,125)
Ganghai Logistics	1,294,275	(64,714)	4,917	(246)
Qingdao Ocean Shipping Agency	997,086	(49,854)	493,300	(24,665)
QHVTC	750,924	(37,546)	1,345,350	(67,268)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (d) Other receivables (Continued)

Other- (Continued)

	31 December 2018		31 December 2017	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Orient Container	654,702	(32,735)	1,139,671	(56,984)
COSCO Shipping Lines Qingdao	577,942	(28,897)	—	—
QDP Investment Group	507,633	(25,382)	689,679	(37,976)
Shenzhouxing Cargo Agency	323,313	(16,166)	399,241	(19,962)
Haiwan Liquid Chemical	323,309	(16,165)	9,199	(460)
Fuwai Hospital	296,953	(14,848)	728,438	(36,422)
Xin Dong Fang Container	—	—	3,097,126	(154,856)
Binzhou Port QDP International Terminal	—	—	1,971,652	(98,583)
Other related parties	1,263,624	(68,232)	1,152,110	(57,606)
	<b>60,820,070</b>	<b>(3,068,134)</b>	<b>257,985,580</b>	<b>(12,908,585)</b>
	<b>720,127,875</b>	<b>(15,069,908)</b>	<b>757,716,649</b>	<b>(23,414,317)</b>

#### (e) Current portion of non-current assets

	31 December 2018		31 December 2017	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QQCTN	253,400,000	(5,607,646)	204,450,000	(5,111,250)
Qingdao Leasing	128,889,720	(3,405,991)	24,718,620	(617,966)
Fuwai Hospital	900,000	(63,676)	500,000	(12,500)
QQCTU	—	—	50,000,000	(1,250,000)
Qingwei Container	—	—	20,000,000	(400,000)
Yuntai Logistics	—	—	16,500,000	(412,500)
Haiwan Liquid Chemical	—	—	5,744,208	(143,605)
QDOT	—	—	3,000,000	(75,000)
West United	—	—	2,000,000	(50,000)
	<b>383,189,720</b>	<b>(9,077,313)</b>	<b>326,912,828</b>	<b>(8,072,821)</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (f) Long-term receivables

	31 December 2018		31 December 2017	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Qingdao Leasing	920,764,164	(23,339,504)	358,411,356	(8,960,284)
QQCTN	387,200,000	(10,231,997)	693,000,000	(17,325,000)
QQCT	222,000,000	(5,865,889)	900,000,000	(9,000,000)
Fuwai Hospital	122,500,000	(8,666,946)	133,400,000	(3,335,000)
QQCTU	—	—	1,415,000,000	(35,375,000)
QDOT	—	—	715,000,000	(17,875,000)
Haiwan Liquid Chemical	—	—	124,090,000	(3,102,250)
Qingwei Container	—	—	85,000,000	(1,700,000)
West United	—	—	67,000,000	(1,675,000)
	<b>1,652,464,164</b>	<b>(48,104,336)</b>	<b>4,490,901,356</b>	<b>(98,347,534)</b>

#### (g) Short-term borrowings

	31 December 2018	31 December 2017
QDP Commercial Insurance	<b>23,778,780</b>	<b>7,980,000</b>

#### (h) Notes payable and accounts payable

Notes payable –

	31 December 2018	31 December 2017
QDOT	—	<b>13,000,000</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (h) Notes payable and accounts payable (Continued)

Accounts payable –

	<b>31 December 2018</b>	31 December 2017
QDOT	<b>112,069,541</b>	155,727,086
QQCTU	<b>18,283,446</b>	1,737,619
QDP Investment Group	<b>8,230,555</b>	1,161,323
Evergreen Container	<b>7,137,918</b>	344,130
West United	<b>5,082,862</b>	2,546,408
Huaneng Qingdao	<b>2,930,896</b>	5,607,864
Shenzhouxing Cargo Agency	<b>1,921,328</b>	226,757
Ocean & Great Asia	<b>1,538,482</b>	540,336
Lianhai Logistics	<b>1,259,987</b>	—
COSCO Shipping Lines Qingdao	<b>1,001,701</b>	—
Qingdao Leasing	<b>758,050</b>	—
QDP Investment Real Estate	<b>714,488</b>	—
Xi'an Xintong	<b>670,335</b>	960,000
Gangwan Logistics	<b>577,671</b>	—
China Marine Bunker Qingdao	—	2,677,500
Other related parties	<b>3,233,105</b>	888,162
	<b>165,410,365</b>	172,417,185
	<b>165,410,365</b>	185,417,185

#### (i) Advances from customers

	<b>31 December 2018</b>	31 December 2017
QQCT	<b>197,421,375</b>	197,421,375
QQCTN	<b>2,518,940</b>	3,767,260
QQCTU	<b>1,210,360</b>	1,315,360
Qingdao Shihua	—	2,758,994
Orient Container	—	721,067
Ganghua Logistics	—	3,747,711
Qingdao Port Group	—	2,345,044
Other related parties	—	1,722,609
	<b>201,150,675</b>	213,799,420

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (j) Contract Liabilities

	31 December 2018	31 December 2017
QDP Investment Group	2,867,161	—
Qingdao Port Group	2,376,579	—
QQCT	1,500,000	—
Evergreen Container	1,136,300	—
Ocean & Great Asia	737,781	—
Orient Container	582,706	—
Qingdao Ocean Shipping Agency	567,140	—
Shenzhouxing Cargo Agency	442,605	—
Other related parties	882,429	—
	<b>11,092,701</b>	—

#### (k) Other payables

Interest payables –

	31 December 2018	31 December 2017
QQCTI	5,118,300	2,783,716
QQCT	4,344,391	7,655,009
QD Cruise Port Development	318,897	333,382
Dongjiakou Sinotrans Logistics	230,085	70
Qingdao Port Group	227,447	12,702,683
Orient Container	166,617	166,603
Lianrong Logistics	161,751	80,032
Harbour Hospital	144,829	96,929
Evergreen Container	107,865	36,648
Lianhai Logistics	91,108	—
QDP Commercial Insurance	82,514	27,916
Qingdao Financial Controlling	80,259	720,637
QQCTN	70,277	2,169,661
Qingdao Shihua	69,413	2,059,749
Fuwai Hospital	14,624	343,133
Other related parties	274,568	551,859
	<b>11,502,945</b>	<b>29,728,027</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (k) Other payables (Continued)

Customer deposits –

	31 December 2018	30 December 2017
Qingdao Port Group	1,368,930,511	4,490,188,308
QQCT	419,746,129	860,227,540
QQCTN	367,128,562	608,560,417
Qingdao Shihua	273,898,512	382,959,371
QDP Commercial Insurance	257,572,368	10,745,202
Qingdao Financial Controlling	211,697,155	766,558,934
QQCTI	171,036,279	176,365,357
Dongjiakou Railway	165,998,837	5,550
Dongjiakou IMC Logistics	87,594,543	71,181,977
QQCTU	81,807,967	147,983,955
Ganghai Logistics	81,339,540	54,878,212
QDP Investment Group	68,335,530	77,795,529
QD Cruise Port Development	67,133,345	59,639,793
Fuwai Hospital	41,963,484	83,122,218
West United	38,490,400	47,862,018
Dongjiakou Sinotrans Logistics	25,470,058	724,118
Lianhai Logistics	21,394,038	—
QDOT	20,825,835	22,502,834
Evergreen Container	19,263,777	12,897,195
Orient Container	17,293,742	17,097,029
Haiwan Liquid Chemical	15,342,578	2,388,238
Qingdao Leasing	14,999,029	58,617,263
Lianrong Logistics	14,068,440	18,969,324
Ganghua Logistics	15,090,574	26,988,951
QQCTUA	10,397,450	26,501,479
Assets Management Company	10,086,792	41,911,082
QDP Investment Real Estate	6,751,809	32,415,334
Hongyu Hotel	6,521,305	1,727,608
QD International Cruise	5,844,833	10,014,705
Dongjiakou Mineral Inspection	4,467,367	1,879,691
Harbour Hospital	3,541,340	3,596,085
QHVTC	—	48,865,706
Qianwan Construction	—	20,731,148
Yuntai Logistics	—	18,231,092
Gangsheng Logistics	—	15,525,615
Other related parties	9,340,875	5,925,385
	<b>3,923,373,004</b>	<b>8,225,584,263</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (k) Other payables (Continued)

Others –

	<b>31 December 2018</b>	30 December 2017
QQCT	23,219,808	24,086,715
QDP Investment Group	19,790,200	104,707,542
QQCTU	5,350,158	5,973,114
QQCTN	1,014,222	31,601,434
Pilot Station	964,595	—
QQCTUA	844,486	562,528
United Shipping Agency	506,568	500,000
Ocean & Great Asia	269,673	2,319,512
QDP Investment Real Estate	192,441	1,112,948
Other related parties	2,500,596	2,258,594
	<u>54,652,747</u>	<u>173,122,387</u>
	<u><b>3,989,528,696</b></u>	<u><b>8,428,434,677</b></u>

#### (l) Current portion of non-current liabilities

	<b>31 December 2018</b>	31 December 2017
Qingdao Leasing	<u>66,414,520</u>	<u>11,262,064</u>

#### (m) Long-term payables

	<b>31 December 2018</b>	31 December 2017
Qingdao Leasing	<u>488,716,378</u>	<u>528,982,387</u>

#### (n) Other non-current liabilities

	<b>31 December 2018</b>	31 December 2017
QQCT	2,815,772,185	3,013,193,560
QQCTU	14,927,773	16,138,133
QQCTN	50,378,800	52,897,740
	<u><b>2,881,078,758</b></u>	<u><b>3,082,229,433</b></u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (7) Commitments in relation to related parties

Except for the port facilities in Qianwan port area leased to QQCT and dock basin leased to QQCTN and QQCTU stated in Note 4(32), the commitments in relation to related parties contracted for but not yet necessary to be recognised on the balance sheet by the Group as at the balance sheet date are as follows:

Leases – Lessee

	<b>31 December 2018</b>	31 December 2017
QDP Investment Group	<b>1,800,000</b>	3,600,000

Leases – Lessor

	<b>31 December 2018</b>	31 December 2017
QQCT	<b>356,950,000</b>	415,445,000
QQCTU	<b>120,028,000</b>	—
Binzhou Port QDP International Terminal	<b>45,897,000</b>	6,498,000
QQCTUA	<b>23,790,000</b>	—
QQCTN	<b>15,990,000</b>	—
Evergreen Container	<b>6,337,500</b>	36,000
West United	<b>516,000</b>	—
Micro Lending Company	<b>263,250</b>	—
Qingdao Financial Controlling	<b>101,000</b>	—
	<b>569,872,750</b>	421,979,000

### (8) Off-balance sheet activities

As entrusted by related parties, the Company's subsidiary, Qingdao Finance, offers entrusted loans to other designated related parties. For the year ended 31 December 2018, principal of new entrusted loan business offered by Qingdao Finance amounts to RMB 3,730,245,000 (For the year ended 31 December 2017: RMB 178,000,000). As at 31 December 2018, entrusted loans amounted to RMB 2,656,500,000 (31 December 2017: RMB 1,509,343,470). Maturity of entrusted loans aforesaid ranged from 1 year to 10 years. If the principal and interest of entrusted loans cannot be recovered, the risk is borne by the entrusted loan fund provider rather than Qingdao Finance. Entrusted loans aforesaid are classified into off-balance sheet items. Therefore, related balances of receivable and payable are not recognised in the consolidated financial statements. Management are of the view that the entrusted loans arrangement aforesaid will not expose the Group to any significant credit risk. Off-balance sheet activities related to investment commitments are set out in Note 11(4).



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (9) Benefits and interests of directors

#### (a) Directors' and CEO's emoluments

The remuneration of every director, supervisor and CEO for the year ended 31 December 2018 are set out below:

Name	Emoluments in respect of a person's services as a director				Emoluments in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking	Total
	Fees	Salary and allowance	Social pension	Bonus		
Executive directors:						
Zheng Minghui	—	—	—	—	—	—
Zhang Jiangnan(Chief Executive Officer) (i)	—	47,709	14,067	204,000	—	265,776
Jiang Chunfeng	—	363,434	56,267	724,518	—	1,144,219
Non-executive Directors:						
Cheng Xinnong (ii)	—	—	—	—	—	—
Zhang Wei	—	—	—	—	—	—
Jiao Guangjun (iii)	—	142,269	42,200	818,830	—	1,003,299
Ma Baoliang (iv)	—	31,520	8,673	342,830	—	383,023
Chu Xiaozhong (v)	—	113,249	23,445	395,976	—	532,670
Independent Non-executive Directors:						
Wang Yaping	207,096	—	—	—	—	207,096
Zou Guoqiang	261,534	—	—	—	—	261,534
Yang Qiulin	207,096	—	—	—	—	207,096
Supervisors:						
Fu Xinmin (vi)	—	—	—	—	—	—
Chi Dianmou (vi)	—	—	—	—	—	—
Xue Qingxia (vii)	—	191,833	37,511	244,549	—	473,893
Liu Yuping (vii)	—	210,023	37,511	28,909	—	276,443
Li Xuxiu	103,490	—	—	—	—	103,490
Liu Dengqing	103,490	—	—	—	—	103,490
Zhang Qingcai (viii)	—	—	—	—	—	—
Li Wucheng (viii)	—	157,773	32,857	371,450	—	562,080
Liu Shuiguo (ix)	—	112,171	23,445	106,430	—	242,046
Wang Xiaoyan (ix)	—	101,625	22,592	16,192	—	140,409
	<u>882,706</u>	<u>1,471,606</u>	<u>298,568</u>	<u>3,253,684</u>	<u>—</u>	<u>5,906,564</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (9) Benefits and interests of directors (Continued)

#### (a) Directors' and CEO's emoluments (Continued)

- (i) Appointed as director on 26 September 2018.
- (ii) Died on 19 April 2018.
- (iii) Resigned from executive director and CEO, and was appointed as non-executive director on 26 September 2018.
- (iv) Resigned from director on 15 August 2018.
- (v) Appointed as director on 15 August 2018.
- (vi) Resigned from Supervisor on 19 March 2018.
- (vii) Resigned from Supervisor on 15 August 2018.
- (viii) Appointed as Supervisor on 6 June 2018.
- (ix) Appointed as Supervisor on 15 August 2018.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (9) Benefits and interests of directors (Continued)

#### (a) Directors' and CEO's emoluments (Continued)

The remuneration of every director, supervisor and CEO for the year ended 31 December 2017 are set out below:

Name	Emoluments in respect of a person's services as a director				Emoluments in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking	Total
	Fees	Salary and allowance	Social pension	Bonus		
Executive directors:						
Zheng Minghui	—	—	—	—	—	—
Jiao Guangjun (Chief Executive Officer)	—	171,377	67,346	1,603,694	—	1,842,417
Jiang Chunfeng	—	323,246	67,346	660,000	—	1,050,592
Non-executive Directors:						
Cheng Xinnong	—	—	—	—	—	—
Zhang Qingcai (i)	—	—	—	—	—	—
Zhang Wei (ii)	—	—	—	—	—	—
Ma Baoliang	—	171,377	67,346	1,603,694	—	1,842,417
Independent Non-executive Directors:						
Wang Yaping	207,096	—	—	—	—	207,096
Zou Guoqiang	261,534	—	—	—	—	261,534
Yang Qiulin	207,096	—	—	—	—	207,096
Supervisors:						
Fu Xinmin	—	—	—	—	—	—
Chi Dianmou	—	—	—	—	—	—
Xue Qingxia	—	294,586	67,346	309,500	—	671,432
Liu Yuping	—	324,831	67,346	49,400	—	441,577
Li Xuxiu	103,412	—	—	—	—	103,412
Liu Dengqing	103,412	—	—	—	—	103,412
	<u>882,550</u>	<u>1,285,417</u>	<u>336,730</u>	<u>4,226,288</u>	<u>—</u>	<u>6,730,985</u>

(i) Resigned from director on 28 June 2017.

(ii) Appointed as director on 28 June 2017.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (9) Benefits and interests of directors (Continued)

	Providing director services to the company or its subsidiaries		Providing other services to the company or its subsidiaries		Total	
	2018	2017	2018	2017	2018	2017
Directors' emoluments (executive and non-executive)	<u>3,328,987</u>	<u>4,735,426</u>	<u>—</u>	<u>—</u>	<u>3,328,987</u>	<u>4,735,426</u>

In 2018, Directors Jiao Guangjun, Zhang Jiangnan, Jiang Chunfeng, Ma Baoliang, Chu Xiaozhong and Supervisors Xue Qingxia, Liu Yuping, Li Wucheng, Liu Shuiguo and Wang Xiaoyan also provided management services for the Company or its subsidiaries. The remuneration of the above personnel is not clearly distinguished among directors, supervisors and management services. Therefore the remuneration is shown as providing director and supervisor services.

In 2017, Directors Jiao Guangjun, Jiang Chunfeng, Ma Baoliang and Supervisors Xue Qingxia and Liu Yuping also provided management services for the Company or its subsidiaries. The remuneration of the above personnel is not clearly distinguished among directors, supervisors and management services. Therefore the remuneration is shown as providing director and supervisor services.

In 2018, Director Zheng Minghui, Cheng Xinnong and Supervisors Fu Xinmin, Chi Dianmou and Zhang Qingcai worked for Qingdao Port Group and received salary from it; Director Zhang Wei worked for COSCO Shipping Port Co., Ltd. and received salary from it.

In 2017, Directors Zheng Minghui, Cheng Xinnong, Zhang Qingcai and Supervisors Fu Xinmin and Chi Dianmou worked in Qingdao Port Group and received salary from it; Director Zhang Wei worked in COSCO Shipping Port Co., Ltd. and received salary from it.

In 2018 and 2017, there were no directors who abandon their emoluments.

- (b) In 2018 and 2017, there were no retirement benefits for the service provided by the directors.
- (c) In 2018 and 2017, there were no termination benefits for the directors.
- (d) In 2018 and 2017, there was no consideration provided to third parties for taking directors' services.
- (e) In 2018 and 2017, there were no loans and quasi-loans in favour of directors, controlled body corporate of directors, and connected entities of directors, and no guarantee or security provided to directors, controlled body corporate of directors, and connected entities of directors.
- (f) No significant transactions, arrangements and contracts in related to the group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted in 2018 and 2017.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (10) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group in 2018 include 2 (2017: 3) directors whose emoluments are reflected in the analysis shown in the table above. The emoluments payable to the remaining 3 (2017: 2) individuals during the year are as follows:

	2018	2017
Salary and allowance	768,597	504,294
Social security contributions	159,423	134,691
Bonus	2,402,654	1,584,349
	<b>3,330,674</b>	<b>2,223,334</b>

	Number of individuals	
	2018	2017
Emolument bands:		
HKD 0 – 1,000,000	—	—
HKD 1,000,000 – 1,500,000	3	2
	<b>3</b>	<b>2</b>

## 10 OTHER EVENTS

On 15 August 2014, Qingdao Maritime Court presented Notice of Response to Action and other documents to Qingdao Port Group and the Company (“QDP Relevant Parties”). The plaintiff, Pacorini Metals (Shanghai) Logistics Co. Ltd. (“Pacorini Logistics”) requested the court to order that Qingdao Hongtu Logistics Co., Ltd. (“Qingdao Hongtu”, third party freight agency company) and QDP Relevant Parties to deliver the aluminum ingot (“Litigation I”) and alumina (“Litigation II”) stored at QDP Relevant Parties to Pacorini Logistics, or to compensate for the corresponding value of the cargo (aluminum ingot amounted to approximately RMB 120,065,056, and alumina amounted to approximately USD 38,892,195), and Qingdao Hongtu and QDP Relevant Parties should bear all property preservation fees and litigation costs incurred.

On 28 July 2014, Qingdao Maritime Court presented Notice of Response to Action and other documents to QDP Relevant Parties. The plaintiff CITIC Australia Commodity Trading Pty Ltd. (“CITIC”) requested the court to order that QDP Relevant Parties delivered the cargo stored at QDP Relevant Parties (“Litigation III”), or to compensate for the corresponding value of the cargo amounted to approximately USD 108,078,798 (equivalent to approximately RMB 664,987,225), and QDP Relevant Parties should bear all property preservation fees and litigation costs incurred.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 10 OTHER EVENTS (Continued)

The above involved cargoes were stored at QDP Relevant Parties under the name of Hongtu Logistics, and have been detained by the Public Security Authority due to Hongtu Logistics' suspected involvement in criminal activities, and Hongtu Logistics were under a fraud investigation by the Public Security Authority as well. Court has pronounced the "Litigation I" on 14 November 2018. The relevant parties in Qingdao Port do not need to bear any responsibility. Pacorini Logistics has submitted an appeal. "Litigation II" and "Litigation III" were transferred to the public security organ for ruling by the court. As at the date of approval of the financial statements, there has been no other progress in the above cases.

Given there is no contractual relationship between the Company, Pacorini Logistics and CITIC, the Directors have the consistent view that the aforesaid litigations are lack of sufficient basis. As the above events took place before the incorporation date of the Company, according to the arrangement of the restructuring agreement reached between the Company and Qingdao Port Group on 25 November 2013, Qingdao Port Group will provide corresponding compensation to the Company for the damages arising from the judgement which may be rendered against the Company by the Court. Accordingly the Directors were of the view that the aforesaid litigations and the related judgement and order would not impose any adverse impact on the business and operation of the Group, and no provision was needed for the events mentioned above.

On 18 July 2017, the Company's subsidiary Datang Port received litigation documents from the court. As required by the plaintiff - China Ocean Engineering Construction General Bureau, Datang Port should pay the construction costs of RMB 28,908,677 and relevant interest on overdue payments. The Intermediate People's Court of Qingdao Municipality heard the case on 29 August 2017 and 18 January 2018, preliminarily concluded that judicial identification is needed for the existing disputes. Up to the date of this financial statements authorized for issuing, the case was still under trial. The management of the Company has assessed the expected completion progress of the construction and recognised the corresponding construction fee payables.

## 11 COMMITMENTS

### (1) Capital commitments

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

	<b>31 December 2018</b>	31 December 2017
Terminal facilities and others	<b><u>1,422,360,661</u></b>	<u>448,531,524</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

## 11 COMMITMENTS (Continued)

### (2) Operating lease commitments

#### (a) Operating lease commitments as lessee

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

	<b>31 December 2018</b>	31 December 2017
Within 1 year	<b>12,672,308</b>	8,202,452
1 to 2 years	<b>10,139,199</b>	7,944,802
2 to 3 years	<b>6,814,827</b>	7,936,402
Over 3 years	<b>3,975,315</b>	7,245,469
	<b><u>33,601,649</u></b>	<u>31,329,125</u>

#### (b) Operating lease commitments as lessor

Except for the operating lease commitments as lessor mentioned in Note 4(32), the future leases received due under the signed irrevocable operating leases contracts are summarised as follows:

	<b>31 December 2018</b>	31 December 2017
Within 1 year	<b>60,553,428</b>	48,111,571
1 to 2 years	<b>52,620,588</b>	43,832,000
2 to 3 years	<b>42,728,000</b>	41,979,000
Over 3 years	<b>440,698,750</b>	464,095,000
	<b><u>596,600,766</u></b>	<u>598,017,571</u>

### (3) Investment commitments

In accordance with the joint investment agreement signed between the Group and Binzhou Port Group Co., Ltd. in December 2014, the Group is committed to make an investment of RMB 25,000,000 into the joint venture, Binzhou Port QDP International Terminal. As at 31 December 2018, the Company has made an accumulated contribution of RMB 4,000,000 with an amount of RMB 21,000,000 unpaid.

In accordance with the agreement signed by the Group, Maersk Terminal Co., Ltd. ("Maersk Terminal") and Vado Investment in October 2016, the Group is committed to purchase a 16.5% stake which is owned by Maersk Terminal, and contribute capital of EUR 14,077,800 to Vado in accordance to this shareholding ratio, total commitment of EUR 15,823,170 is made. As at 31 December 2018, the unpaid amount is EUR 5,692,870.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 11 COMMITMENTS (Continued)

### (4) Credit commitments

As at 31 December 2018, Qingdao Port Group, its subsidiaries and other related parties purchased raw materials and equipment from third parties, thus have issued acceptance notes through Qingdao Finance with RMB 113,447,934 in total (31 December 2017: RMB 51,069,519). Qingdao Finance collected some guarantee from the applicant at certain proportion of the amount issued, and will pay to the third party directly when the notes fall due.

### (5) Other credit commitments

The Group entered into contracts with clients, some requested the Group to issue letter of guarantee to insure that the project will be completed in time with required quality as set out in the contract. As at 31 December 2018, Qingdao Finance issued letter of guarantee with the amount of approximately RMB 50,707,950 (31 December 2017: RMB 12,538,000) for the purpose aforesaid.

In view of the application of QDP Logistics to the Shanghai Futures Exchange for domestic natural rubber and imported No. 3 smoke film futures designated delivery warehouse qualification (application for a total storage capacity of 50,000 tons), in order to develop domestic natural rubber and imported No. 3 smoke film period stock warehousing and related extension for the logistics business, the Board of Directors agreed to issue a guarantee letter for the application and business of the delivery warehouse qualification for the domestic natural rubber and the imported No. 3 cigarette film futures of QDP Logistics according to the relevant regulations of the Shanghai Futures Exchange. The guarantee period is issued by the guarantee letter from 18 December 2017 to 30 June 2019. As of 31 December 2018, QDP Logistics' natural rubber designated delivery warehouse inventory was 38,770 tons, according to the rubber main contract price of RMB 11,240/ton at 28 December 2018, if the cargos are damaged or lost, the amount of the highest financial liability the Company should bear for QDP Logistics because of issuing a letter of guarantee is about RMB 436,000,000.

## 12 EVENTS AFTER THE BALANCE SHEET DATE

### (1) Important non-adjusting matters

Project	Content	Impact on financial status and operating results	Unable to estimate the cause of the impacts' reason
Issuance of stocks			Refer to Supplementary explanation (a)
Securities repos			Refer to Supplementary explanation (b)

Supplementary explanation:

- (a) According to the proposal of the Board of Directors of the Company and approved by the 2017 annual general meeting, and approved by the China Securities Regulatory Commission on 14 November 2018 [2018] No. 1839, "Approving Qingdao Port International Co., Ltd. for Initial public offering", the Company publicly issued no more than 454,376,000 ordinary shares (A shares), and listed and traded on the Shanghai Stock Exchange. As of 15 January 2019, the Company completed the issuance of 454,376,000 shares of ordinary shares (A shares) with a par value of RMB 1.00 per share and an issue price of RMB 4.61 per share. After the completion of the issuance, the paid-up capital (share capital) of the Company was RMB 6,491,100,000. On 21 January 2019, the Company publicly issued ordinary shares (A shares) listed on the Shanghai Stock Exchange.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

## 12 EVENTS AFTER THE BALANCE SHEET DATE (Continued)

- (b) As stated in Note 4(28), the company issued the first phase of corporate bonds of RMB 1.5 billion (“16 Qinggang 01”) and the second phase of corporate bonds of RMB 2 billion (“16 Qinggang 02”) on 18 March 2016 and 8 June 8 2016 respectively. The above-mentioned bond has a maturity period of 5 years with the option of raising the coupon rate and the investor’s option to sell back at the end of the third year. As of the date of this annual report, the Company has increased the coupon rate of “16 Qinggang 01” by 78 basis points, from 2.90% to 3.68%. The “16 Qinggang 01” resale has been completed and the resale amount is RMB 90,900,000 (excluding interest). After the implementation of the resale, the remaining “16 Qinggang 01” corporate bonds listed on the Shanghai Stock Exchange amounted to RMB 1,409,100,000, and the coupon rate for the duration of the bonds was 3.68%. “16 Qinggang 02” did not reach the period of exercise.

### (2) Profit distribution statement

	Amount
Dividend to be distributed (a)	2,464,670,670
Dividends declared for approval	—

- (a) According to the resolution of the Board of Directors on 28 March 2019, the Board of Directors proposed that the Company distribute cash dividends of 2017 and 2018 to all shareholders at RMB 379.70 per thousand share (including tax). Based on the 6,491,100,000 shares issued, the proposed dividends are RMB 2,464,670,670, the above proposal is still pending approval by the shareholders meeting, and has not recognized as a liability in the financial statements(Note 4(38)).

## 13 LEASING

The future lease payments of fixed assets and construction in progress held under finance leases (Note 4(14)) are as follows:

	<b>31 December 2018</b>	31 December 2017
Within 1 year	<b>93,489,393</b>	39,200,878
1 to 2 years	<b>136,276,697</b>	82,948,243
2 to 3 years	<b>74,527,337</b>	123,857,878
Over 3 years	<b>334,571,558</b>	386,507,280
	<b><u>638,864,985</u></b>	<u>632,514,279</u>

As at 31 December 2018, the unrecognised financing charge amounted to RMB 81,599,901 (31 December 2017: RMB 88,062,144).

## 14 BUSINESS COMBINATION

Refer to Note 5(1).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 15 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK

The Group's activities expose it to a variety of financial risks: market risk (primarily including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The financial risks and the risk management policies adopted by the Group to reduce the risks are as follows:

The Board of Directors is responsible for planning and establishing the risk management structure of the Group, formulating the Group's risk management policies and relevant guidelines and monitoring the implementation of risk management measures. The Group has formulated risk management policies to identify and analyse the risks the Group exposes to. Specific risks are explicitly stipulated by these risk management policies, covering management of market risk, credit risk and liquidity risk, etc. The Group assesses market environment and changes of operating activities of the Group periodically to determine whether updates are needed for risk management policies and systems. Risk management of the Group is carried out by the Risk management committee according to the approval of the Board of Directors. Risk management committee identifies, evaluates and mitigates relevant risks through close cooperation with other business departments of the Group. The Group's audit department periodically reviews the risk management controls and procedures, and reports the results to the Group's Audit Committee.

### (1) Market risk

#### (a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. Foreign exchange risk arises from transactions denominated in foreign exchange (foreign currency assets and liabilities and foreign currency transactions are mainly denominated in USD and HKD). The Group monitors the scale of foreign currency transactions and foreign currency assets and liabilities to minimize foreign exchange risks. As at 31 December 2018 the Group did not sign forward foreign exchange contracts or currency swap contracts.

As at 31 December 2018 and 31 December 2017, the carrying amounts in RMB equivalent of the Group's financial assets and financial liabilities denominated in foreign currencies are summarised below:

	31 December 2018			Total
	USD	HKD	Others	
Financial assets denominated in foreign currency -				
Cash at bank and on hand	1,153,078,854	171,963	—	1,153,250,817
Receivables	96,487,714	—	312,326	96,800,040
	<u>1,249,566,568</u>	<u>171,963</u>	<u>312,326</u>	<u>1,250,050,857</u>
Financial liabilities denominated in foreign currency -				
Payables	(58,923,791)	—	(19,735)	(58,943,526)
Short-term borrowings	(44,853,424)	—	—	(44,853,424)
Long-term borrowings	—	—	(80,524,826)	(80,524,826)
	<u>(103,777,215)</u>	<u>—</u>	<u>(80,544,561)</u>	<u>(184,321,776)</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

## 15 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

### (1) Market risk (Continued)

#### (a) Foreign exchange risk (Continued)

	31 December 2017			
	USD	HKD	Others	Total
Financial assets denominated in foreign currency -				
Cash at bank and on hand	530,674,994	438,760,373	1,154,689	970,590,056
Receivables	41,460,558	—	174,037	41,634,595
	<u>572,135,552</u>	<u>438,760,373</u>	<u>1,328,726</u>	<u>1,012,224,651</u>
Financial liabilities denominated in foreign currency -				
Payables	(19,905,011)	—	(49,939)	(19,954,950)
Short-term borrowings	—	—	(7,540,000)	(7,540,000)
Long-term borrowings	—	—	(80,063,060)	(80,063,060)
	<u>(19,905,011)</u>	<u>—</u>	<u>(87,652,999)</u>	<u>(107,558,010)</u>

As at 31 December 2018, if RMB had strengthened/weakened by 4% against the USD while all other variables had been held constant, the Group's net profit for the period would have been approximately RMB 34,374,000 (31 December 2017: approximately RMB 16,567,000) lower/higher for various financial assets and liabilities denominated in USD, which would have no effect on other comprehensive income. As at 31 December 2018, if RMB had strengthened/weakened by 4% against the HKD while all other variables had been held constant, the Group's net profit for the period would have been approximately RMB 5,000 (31 December 2017: approximately RMB 13,163,000) lower/higher for various financial assets denominated in HKD, which would have no effect on other comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 15 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

### (1) Market risk (Continued)

#### (b) Interest rate risk

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

As at 31 December 2018, the Group's interest bearing liabilities included customer deposits at Qingdao Finance of RMB 3,923,373,004 (Note 4(26)), among which RMB 3,792,236,100 was subject to floating interest rate and the remaining are subject to fixed interest rate; bonds payable of RMB 3,500,000,000 (Note 4(28)) was subject to fixed interest rate; and bank borrowings of RMB 354,885,192 (Note 4(20), (27)), among which RMB 210,620,687 was subject to floating rates and the remaining are subject to fixed interest rate.

As at 31 December 2018, the Group's interest bearing assets included cash at bank and on hand of RMB 8,077,972,498 (Note 4(1)), among which RMB 4,008,047,234 was subject to floating interest rate and the remaining are subject to fixed interest rate; and loans provided to related parties and third parties of RMB 2,733,243,690 (Note 4(5), (10)), among which RMB 2,130,932,759 was subject to floating rates and the remaining are subject to fixed interest rate.

The Group continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new liability and the interest expenses with respect to the Group's outstanding floating rate liability, and therefore could have a certain effect on the Group's financial position. The management makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. During 2018 and 2017, the Group did not enter into any interest rate swap agreements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

## 15 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

### (1) Market risk (Continued)

#### (b) Interest rate risk (Continued)

As at 31 December 2018, if bank interest rates on the floating rate borrowings had risen/fallen by 50 basis points while all other variables had been held constant, the Group's net profit would have decreased/increased by approximately RMB 790,000 (31 December 2017: approximately RMB 497,000).

As at 31 December 2018, if interest rates on cash at bank and on hand, loans provided to related parties and customer deposits at Qingdao Finance subject to the floating rate borrowings for the period ended 31 December 2018 had risen/fallen by 8% while all other variables had been held constant, the Group's net profit would have increased/decreased by approximately RMB 5,644,000 (31 December 2017: approximately RMB 7,345,000).

#### (c) Other price risks

The Group's other price risks mainly arise from all kinds of equity instrument investments, with risk of changes in the price of equity instruments

As at 31 December 2018, if the expected price of the Group's various equity instrument investments increased or decreased by 10% while all other variables had been held constant, the Group's net profit would have increased or decreased by approximately RMB 5,415,591.

### (2) Credit risk

The Group's credit risk mainly arises from cash at bank and on hand, notes receivable and accounts receivable, other receivables, contract assets, debt investment, other debt investments and financial guarantee contract as well as debt instrument investment and financial derivatives measured at fair value and whose changes are recorded into current profits and losses. On the balance sheet date, the book value of the Group's financial assets has represented its maximum credit risk exposure; the maximum credit risk exposure outside the balance sheet is the maximum amount of RMB 113,447,934 required to perform financial guarantee.

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

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

As stated in Note 9(5)(g), the Company assumes irrevocable joint guarantee responsibility for all responsibility of Qingdao Shihua for carrying out business related to the delivery of crude oil futures. As at 31 December 2018, Qingdao Shihua has not yet had any related business transactions.

As 31 December 2018, the Group has no significant collateral from debtors' mortgage or other credit enhancement.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 15 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

### (3) Liquidity risk

Each subsidiary within the Group is responsible for its own cash flow projections. On the basis of summarizing the cash flow forecasts of each subsidiary, the Group continuously monitors short-term and long-term capital needs at the group level to ensure that sufficient cash reserves and marketable securities are readily available and continuous monitoring of compliance with the loan agreement provisions, from major financial institutions to obtain sufficient backup funds to meet short-term and long-term funding needs.

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

	31 December 2018				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	170,570,263	—	—	—	170,570,263
Notes payable and accounts payable	2,538,632,195	—	—	—	2,538,632,195
Other payables	5,972,349,017	—	—	—	5,972,349,017
Current portion of non-current liabilities	3,653,353,489	—	—	—	3,653,353,489
Long-term borrowings	5,492,813	33,527,124	139,063,632	—	178,083,569
Long-term payables	—	137,254,611	392,409,982	55,378,897	585,043,490
	<u>12,340,397,777</u>	<u>170,781,735</u>	<u>531,473,614</u>	<u>55,378,897</u>	<u>13,098,032,023</u>

	31 December 2017				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	57,035,157	—	—	—	57,035,157
Notes payable and accounts payable	2,399,789,522	—	—	—	2,399,789,522
Other payables	9,923,698,355	—	—	—	9,923,698,355
Current portion of non-current liabilities	38,938,626	—	—	—	38,938,626
Long-term borrowings	6,834,433	34,337,001	162,483,358	10,107,397	213,762,189
Long-term payables	—	68,338,868	477,531,053	52,872,704	598,742,625
Bonds payable	105,300,000	105,300,000	3,710,600,000	—	3,921,200,000
	<u>12,531,596,093</u>	<u>207,975,869</u>	<u>4,350,614,411</u>	<u>62,980,101</u>	<u>17,153,166,474</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

## 15 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

### (3) Liquidity risk (Continued)

On the balance sheet date, the amount of financial guarantee provided by the Group is not the amount required to be paid by the relevant party.

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

	31 December 2018		31 December 2017	
	Bank borrowings	Bonds payable	Bank borrowings	Bonds payable
Within 1 year	194,092,204	3,500,000,000	81,535,445	—
1 to 2 years	27,910,000	—	27,380,000	—
2 to 5 years	132,882,988	—	150,792,988	3,500,000,000
Over 5 years	—	—	10,000,000	—
	<u>354,885,192</u>	<u>3,500,000,000</u>	<u>269,708,433</u>	<u>3,500,000,000</u>

## 16 FAIR VALUE ESTIMATES

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

As at 31 December 2018, the Group's wealth management products in financial assets held for trading of RMB 4,000,000 (As at 31 December 2017: nil) (Note 4(2)), interbank deposit certificates of RMB 2,379,192,650 (As at 31 December 2017: nil) (Note 4(8)) of other current assets and financial bonds of other non-current financial assets of RMB 135,372,690 (As at 31 December 2017: nil) (Note 4 (12)) included in other current assets are with quoted prices (unadjusted) in active markets and are categorised in Level 1; the remaining wealth management products of financial assets held for trading of RMB 871,000,000 and other non-current financial assets of RMB 133,207,877 (As at 31 December 2017: financial assets held for trading of RMB 750,357,788) (note 4(2), (12), (9)) are determined using unobservable inputs and included in Level 3.

For financial instruments traded in the active market, the Group determines their fair value with their active market quotations; For financial instruments that are not traded in active markets, the Group uses valuation techniques to determine their fair value. The valuation models used mainly include cash flow discount model and market comparable company model. The input values of valuation technology mainly include risk-free interest rate, benchmark interest rate, expected yield, liquidity premium, EBITDA multiplier and liquidity discount.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 16 FAIR VALUE ESTIMATES (Continued)

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

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

	Financial assets held for trading	Other non- current financial assets	Total
31 December 2017	—	—	—
Changes in accounting policies (Note 2(30)(b))	639,000,000	183,565,665	822,565,665
1 January 2018	639,000,000	183,565,665	822,565,665
Purchases	2,066,000,000	—	2,066,000,000
Sales	<u>(1,834,000,000)</u>	<u>(50,357,788)</u>	<u>(1,884,357,788)</u>
31 December 2018	<u>871,000,000</u>	<u>133,207,877</u>	<u>1,004,207,877</u>
Total gains in the current period (a)	33,948,586	8,125,280	42,073,866
Gains recognised in profit	33,948,586	8,125,280	42,073,866

The unrealized gain or loss recorded in the current profit and loss is nil.

	Available-for-sale financial assets
1 January 2017	890,000,000
Purchases	2,769,934,763
Sales	(2,909,576,975)
Total gains in the current period (a)	51,695,472
Gains recognised in profit	<u>(51,695,472)</u>
31 December 2017	<u>750,357,788</u>

(a) Gains or losses included in the current profit and loss are included in the income statement, such as changes in fair value changes, investment income, etc.

(b) As at 31 December 2018, the Level 3 financial assets held by the Group are wealth management products and equity instruments. The valuation method is expected return method and market comparable company method.

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

## 16 FAIR VALUE ESTIMATES (Continued)

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

Financial assets and liabilities measured at amortised cost mainly include notes receivables and accounts receivable, other receivables, debt investments, long-term receivables, short-term borrowings, notes payables and accounts payable, other payables, bonds payable, long-term borrowings, long-term payables, etc.

The carrying amount of the other financial assets and liabilities not measured at fair value has little difference with their fair value.

## 17 CAPITAL MANAGEMENT

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

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

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

As at 31 December 2018 and 31 December 2017, the Group's gearing ratio is as follows:

	<b>31 December 2018</b>	31 December 2017
Bank borrowings (Note 4(20), (27))	<b>354,885,192</b>	269,708,433
Customer deposits at Qingdao Finance (Note 4(26))	<b>3,923,373,004</b>	8,225,623,295
Bonds payable (Note 4(28))	<b>3,500,000,000</b>	3,500,000,000
Less: Cash (Note 4(53) (e))	<b>(4,014,278,650)</b>	(6,362,939,502)
Net debt	<b>3,763,979,546</b>	5,632,392,226
Shareholders' equity	<b>29,419,524,243</b>	25,062,656,390
Total capital	<b>33,183,503,789</b>	30,695,048,616
Gearing ratio	<b>11%</b>	18%

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

### (1) Notes receivable and accounts receivable

	<b>31 December 2018</b>	31 December 2017
Notes receivable (a)	<b>357,958,050</b>	207,434,549
Accounts receivable (b)	<b>726,398,006</b>	956,905,662
	<b><u>1,084,356,056</u></b>	<b><u>1,164,340,211</u></b>

#### (a) Notes receivable

	<b>31 December 2018</b>	31 December 2017
Trade acceptance notes	—	24,610,000
Bank acceptance notes	<b>357,958,050</b>	182,824,549
	<b><u>357,958,050</u></b>	<b><u>207,434,549</u></b>

- (i) As at 31 December 2018, the Company has no pledged acceptance notes (As at 31 December 2017: trade acceptance notes of the Company with a value of RMB 13,000,000 have been pledged as the security for new issuance of bank acceptance notes, meanwhile, bank acceptance notes with a value of RMB 3,000,000 have been pledged to bank, and the Company is in the progress of applying of issuance of acceptance notes).

The Group endorses part of the bank acceptance notes for daily fund management purpose. Therefore, the bank acceptance notes are classified as financial assets measured at fair value through other comprehensive income. The Group believes that the bank acceptance notes do not expose to significant credit risk and will not cause significant losses due to bank default.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

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

#### (b) Accounts receivable

	<b>31 December 2018</b>	31 December 2017
Accounts receivable	<b>763,749,902</b>	1,008,195,015
Less: Provision for bad debts	<b>(37,351,896)</b>	(51,289,353)
	<b><u>726,398,006</u></b>	<u>956,905,662</u>

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

(i) The age of accounts receivable and provision for bad debts are as follows:

	<b>31 December 2018</b>	31 December 2017
Within 1 year	<b>728,942,494</b>	981,733,843
1 to 2 years	<b>27,889,791</b>	9,921,546
2 to 3 years	<b>800,000</b>	9,187,126
3 to 4 years	<b>4,733,134</b>	7,030,000
4 to 5 years	<b>1,384,483</b>	—
Over 5 years	—	322,500
	<b><u>763,749,902</u></b>	<u>1,008,195,015</u>

(ii) As at 31 December 2018, the five largest accounts receivable by debtors were summarised and analysed as follows:

	<b>Amount</b>	<b>Provision for bad debts</b>	<b>% of total accounts receivable balance</b>
Total amount of five largest accounts receivable	<u>254,969,859</u>	<u>(13,376,882)</u>	<u>33%</u>

(iii) As at 31 December 2018, the Company did not have any receivables that were derecognised due to the transfer of financial assets (As at 31 December 2017: nil).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

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

#### (c) Provision for bad debts

	<b>31 December 2018</b>	31 December 2017
Provision for bad debts of accounts receivable	<b><u>(37,351,896)</u></b>	<u>(51,289,353)</u>

For notes receivable and accounts receivable, the Company measures the loss provision based on the lifetime expected credit losses regardless of whether there exists a significant financing component.

Accounts receivables are analysed by category as follows:

	<b>31 December 2018</b>			
	<b>Ending balance</b>		<b>Provision for bad debts</b>	
	<b>Amount</b>	<b>% of total balance</b>	<b>Amount</b>	<b>Lifetime ECL rate</b>
Provision for bad debts on the individual basis (i)	<b>1,195,671</b>	<b>0.16%</b>	<b>(1,195,671)</b>	<b>100.00%</b>
Provision for bad debts on the grouping basis				
Group A	<b>86,423,344</b>	<b>11.32%</b>	—	<b>0.00%</b>
Group C (ii)	<b>676,130,887</b>	<b>88.53%</b>	<b>(36,156,225)</b>	<b>5.35%</b>
	<b><u>763,749,902</u></b>	<b><u>100.00%</u></b>	<b><u>(37,351,896)</u></b>	<b><u>4.89%</u></b>

- (i) As at 31 December 2018, accounts receivable for which the related provision for bad debts is made on the individual basis are analysed as follows:

	<b>Ending balance</b>	<b>Lifetime ECL rate</b>	<b>Provision for bad debts</b>	<b>Reason</b>
Receivables from Haikou Nantsing	<u>1,195,671</u>	100.00%	<u>(1,195,671)</u>	Note 4(3) (b)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

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

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

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

	31 December 2018		
	Ending balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Within 1 year	654,120,044	5.00%	(32,706,002)
1 to 2 years	19,526,359	10.00%	(1,952,636)
2 to 3 years	800,000	30.00%	(240,000)
3 to 4 years	300,001	50.00%	(150,001)
4 to 5 years	1,384,483	80.00%	(1,107,586)
Over 5 years	—	100.00%	—
	<b>676,130,887</b>	<b>5.35%</b>	<b>(36,156,225)</b>

As at 31 December 2018, the Company's net profit after tax will be reduced by about RMB 2,711,717 if the lifetime ECL rate for each age band of accounts receivable increased by 10%, while other factors remain unchanged. As at 1 January 2018, the Company's undistributed profits will be reduced by about RMB 3,732,839 if the lifetime ECL rate for each aging band increased by 10%.

- (iii) The amount of bad debt provision reversed during the year was RMB 13,937,457, which was reversed for the amount of bad debts provided on the grouping basis. The Company has no written-off notes and accounts receivable for bad debts for the year.

#### (d) As at 31 December the company has no pledge of accounts receivable. (31 December 2017:nil)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (2) Other receivables

	<b>31 December 2018</b>	31 December 2017
Port construction fees receivable	<b>39,299,143</b>	56,115,044
Construction expenditures paid on behalf of subsidiaries (i)	<b>30,511,179</b>	118,941,534
Deposits and guarantees	<b>14,301,232</b>	3,405,881
Interest receivable	<b>8,041,075</b>	16,724,857
Receivables of agent procurement	—	10,340,778
Receivables of assets transfer (ii)	—	220,029,917
Loans provided to related parties (iii)	—	50,000,000
Receivables of construction fees	—	5,273,591
Others	<b>39,407,005</b>	19,295,728
	<b>131,559,634</b>	500,127,330
Less: Provision for bad debts	<b>(5,478,767)</b>	(26,526,128)
	<b>126,080,867</b>	473,601,202

- (i) Construction expenditures paid on behalf of subsidiaries mainly consists of advance payment of construction expenditures for Mercuria Logistics, Qingdao Port Engineering and other subsidiaries.
- (ii) As at 31 December 2017, receivables of assets transfer are receivables of terminal and stockyard project from QDOT.
- (iii) Loans provided to related parties are short-term entrusted loans provided by the company.

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

As at 31 December 2018, Loss provisions and the statement of changes in the carrying balance are as follows:

	Phase 1		Phase 3		Total
	ECL over the next 12 months		Lifetime ECL (Credit impairment has occurred)		
	Amount	Provision for bad debts	Amount	Provision for bad debts	
31 December 2017	489,786,552	(16,185,350)	10,340,778	(10,340,778)	(26,526,128)
Changes in accounting policies	—	—	—	—	—
1 January 2018	489,786,552	(16,185,350)	10,340,778	(10,340,778)	(26,526,128)
Reverse in the current period	(358,226,918)	10,706,583	—	—	10,706,583
Charge off in the current period	—	—	(10,340,778)	10,340,778	10,340,778
Including: written off in the current period	—	—	(10,340,778)	10,340,778	10,340,778
31 December 2018	131,559,634	(5,478,767)	—	—	(5,478,767)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (2) Other receivables (Continued)

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

- (i) As at 31 December 2018, the provision for bad debts for other receivables in the first phase are as follows:

	Amount	12-month ECL rate	Provision for bad debts	Reason
Provision on bad debts on the grouping basis:				
Group A	34,998,158	0.00%	—	
Group D	96,561,476	5.67%	(5,478,767)	i)
	<u>131,559,634</u>		<u>(5,478,767)</u>	

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

	31 December 2018		
	Ending balance	Provision for bad debts	
	Amount	ECL rate for the next 12 months	Amount
Within 1 year	85,493,830	5.00%	(4,274,692)
1 to 2 years	10,924,132	10.00%	(1,092,413)
2 to 3 years	3,000	30.00%	(900)
3 to 4 years	17,232	50.00%	(8,616)
4 to 5 years	105,682	80.00%	(84,546)
Over 5 years	17,600	100.00%	(17,600)
	<u>96,561,476</u>	<u>5.67%</u>	<u>(5,478,767)</u>

- (ii) As at 31 December 2018, the Company does not have other receivables in the second and third phase.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (2) Other receivables (Continued)

- (b) The amount of bad debt provision reversed during the year was RMB 10,706,583, which was reversed for the amount of bad debt provision made on the grouping basis.
- (c) The balance of other receivables that were written off in the current year was RMB 10,340,778, and the provision for bad debts was RMB 10,340,778, of which significant other receivables were analysed as follows:

	Nature	Amount	Reason	Written off procedure	Whether it is generated by related party transactions
Agent purchasing company	Collection of purchase funds	<u>10,340,778</u>	Unrecoverable	Approved by Board of Directors	No

- (d) As at 31 December 2018, the five largest other receivables by debtors were summarised and analysed as follows:

	Nature	Amount	Aging	% of total	Provision for bad debts
Mercuria Logistics	Construction expenditures paid on behalf of others	29,999,957	Within 1 year and 3-4years	22.80%	—
Qingdao Port Group	Other	21,818,717	Within 1 year and 1-2years	16.58%	(1,090,936)
Qingdao Leasing	Guarantee	9,886,400	Within 1 year	7.51%	(494,320)
Chiping Xinfu Huayu Alumina Co., Ltd.	Port construction fees	8,326,763	3-4years	6.33%	(416,338)
Shandong Laigang Yongfeng Iron and Steel Co., Ltd.	Port construction fees	<u>5,383,190</u>	Within 1 year	<u>4.09%</u>	<u>(269,160)</u>
		<u>75,415,027</u>		<u>57.32%</u>	<u>(2,270,754)</u>

- (e) As at 31 December 2018 and 31 December 2017, the Company has no government grants recognized in other receivables.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (3) Long-term receivables

	<b>31 December 2018</b>	31 December 2017
Loans provided to subsidiaries	<b>2,510,000,000</b>	1,795,000,000
Loans provided to other related parties (i)	<b>310,000,000</b>	2,535,000,000
Less: Overdue within one year	<b>(910,000,000)</b>	—
	<hr/>	<hr/>
Less: Provision for bad debts	<b>(8,191,106)</b>	(49,875,000)
	<hr/>	<hr/>
	<b><u>1,901,808,894</u></b>	<b><u>4,280,125,000</u></b>

- (i) Loans to other related parties include long-term entrusted loans provided by the Company to related parties. Among them, the loan and related loan impairment provisions that will be recovered within one year are recorded as non-current assets due within one year.

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

	<b>Stage 1</b>	
	<b>Expected credit losses in the following 12 months</b>	
	<b>Amount</b>	<b>Provision for bad debt</b>
31 December 2017	4,330,000,000	(49,875,000)
Changes in accounting policies	—	—
1 January 2018	4,330,000,000	(49,875,000)
Reverse in the current period	(1,510,000,000)	41,683,894
	<hr/>	<hr/>
31 December 2018	<b><u>2,820,000,000</u></b>	<b><u>(8,191,106)</u></b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (3) Long-term receivables (Continued)

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

(i) As at 31 December 2018, the analysis of long-term receivables in Stage 1 are as follows:

	Amount	12-month ECL rate	Provision for bad debt	Reason
Provision on bad debts on the grouping basis:				
Group A	2,510,000,000	0.00%	—	
Group B	310,000,000	2.64%	(8,191,106)	
	<u>2,820,000,000</u>		<u>(8,191,106)</u>	

(ii) As at 31 December 2018, the Company has no long-term receivables in Stage 2 and Stage 3.

(b) As at 31 December 2018, the Company has no loans provided to employees. (As at 31 December 2017: nil)

### (4) Long-term equity investments

	<b>31 December 2018</b>	31 December 2017
Subsidiaries (a)	<b>3,913,513,156</b>	3,614,565,893
Joint ventures (b)	<b>9,335,621,836</b>	9,055,405,486
Associates (c)	<b>104,001,980</b>	98,829,206
	<u><b>13,353,136,972</b></u>	<u>12,768,800,585</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

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

#### (a) Subsidiaries

	Accounting Method	31 December 2017	Increase in investment	Decrease in investment	31 December 2018	Profit declared in the current period
Yongli Insurance	Cost method	7,866,558	—	—	7,866,558	3,621,885
QDP Logistics	Cost method	257,374,925	—	—	257,374,925	565,511,784
Hongyu Cargo Agency	Cost method	12,811,516	—	—	12,811,516	—
GLS Shipping	Cost method	2,580,830	21,000,000	—	23,580,830	3,905,231
Ocean Shipping Repair	Cost method	3,666,959	—	—	3,666,959	456,697
Qingdao Port Engineering	Cost method	114,455,552	—	—	114,455,552	—
Ocean Shipping Tally	Cost method	389,296,880	—	—	389,296,880	135,568,173
Gangjia Logistics	Cost method	7,299,874	—	—	7,299,874	5,100,000
Gangrong Storage	Cost method	7,952,229	—	—	7,952,229	—
Qingdao Port Travel Agency	Cost method	3,052,737	—	(3,052,737)	—	—
Duty-free Merchandise	Cost method	2,931,373	—	—	2,931,373	—
Datang Port	Cost method	179,109,502	—	—	179,109,502	—
Qingdao Finance	Cost method	700,000,000	—	—	700,000,000	—
Mercuria Logistics	Cost method	273,278,376	—	—	273,278,376	—
Mercuria Oil Terminal	Cost method	182,079,200	—	—	182,079,200	—
Eimskip Coldchain	Cost method	14,000,000	—	—	14,000,000	—
Qingdao Port Properties	Cost method	5,000,000	—	—	5,000,000	16,954,095
Culture Media	Cost method	3,000,000	—	—	3,000,000	2,190,636
International Development	Cost method	40,307,042	—	—	40,307,042	—
Tongbao Shipping	Cost method	20,000,000	—	—	20,000,000	3,873,739
DMT	Cost method	480,000,000	—	—	480,000,000	—
Lianhua Pipeline	Cost method	441,660,000	—	—	441,660,000	—
Technology Company	Cost method	20,000,000	—	—	20,000,000	37,234,777
Svitzer Towage	Cost method	115,500,000	—	—	115,500,000	6,496,470
Tongze Trading	Cost method	10,000,000	—	—	10,000,000	6,787,544
Bonded Logistics Centre	Cost method	25,458,868	—	—	25,458,868	—
Liquid Chemical Terminal	Cost method	295,883,472	—	—	295,883,472	—
Tongan Security	Cost method	—	1,000,000	—	1,000,000	—
Qingdong pipe	Cost method	—	255,000,000	—	255,000,000	—
Tongda Oil & Gas	Cost method	—	25,000,000	—	25,000,000	—
		<u>3,614,565,893</u>	<u>302,000,000</u>	<u>(3,052,737)</u>	<u>3,913,513,156</u>	<u>787,701,031</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

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

#### (b) Joint ventures

	Accounting Method	31 December 2017	Movements in the current period					31 December 2018
			Increase or decrease in investment	Share of net profit/ (loss) under equity method	Cash dividends/ profit declared	Other equity changes	Unrealised profits and losses	
QQCT	Equity method	5,446,940,918	—	819,103,424	(670,280,945)	7,299,559	(26,573,714)	5,576,489,242
Qingdao Shihua	Equity method	1,587,464,634	—	336,058,195	(325,000,000)	—	(210,457)	1,598,312,372
West United	Equity method	462,590,310	—	24,951,419	—	—	(449,016)	487,092,713
Qingwei Container	Equity method	167,988,099	—	22,958,309	(52,277,520)	—	—	138,668,888
Evergreen Container	Equity method	69,254,193	—	21,674,554	(20,209,427)	312,643	—	71,031,963
Orient Container	Equity method	45,636,846	8,039,999	7,330,840	(7,670,278)	—	—	53,337,407
Haiwan Liquid Chemical	Equity method	142,530,798	—	6,419,265	—	—	—	148,950,063
Ganghai Logistics	Equity method	82,149,046	—	11,448,527	—	—	—	93,597,573
Shenzhouxing Cargo Agency	Equity method	38,769,391	—	13,750,947	(12,995,177)	—	—	39,525,161
China Shipping Agency	Equity method	14,442,742	—	183,822	(3,660,357)	—	—	10,966,207
United Shipping Agency	Equity method	66,115,107	—	1,121,502	(11,574,739)	—	—	55,661,870
Huaneng Qingdao	Equity method	155,712,942	—	(14,346,352)	—	—	—	141,366,590
Dongjiakou IMC Logistics	Equity method	56,602,808	—	13,748,908	—	—	—	70,351,716
QDOT	Equity method	658,724,797	—	34,526,162	—	—	(226,688)	693,024,271
Henan Yuqing	Equity method	2,452,288	(2,452,288)	—	—	—	—	—
Dongjiakou Sinotrans Logistics	Equity method	49,152,134	—	1,459,842	(115,010)	—	—	50,496,966
Binzhou Port QDP								
International Terminal	Equity method	8,878,433	—	4,899,018	—	(443,928)	—	13,333,523
PetroChina Storage	Equity method	—	93,415,311	—	—	—	—	93,415,311
		<u>9,055,405,486</u>	<u>99,003,022</u>	<u>1,305,288,382</u>	<u>(1,103,783,453)</u>	<u>7,168,274</u>	<u>(27,459,875)</u>	<u>9,335,621,836</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

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

#### (c) Associates

	Accounting Method	31 December 2017	Movements for the current year		31 December 2018
			Share of net profit/(loss) under equity method	Cash dividends/ Profit declared	
Ganghua Logistics	Equity method	8,212,998	1,466,974	—	9,679,972
Qingyin Financial Leasing	Equity method	90,616,208	3,705,800	—	94,322,008
		<u>98,829,206</u>	<u>5,172,774</u>	<u>—</u>	<u>104,001,980</u>

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

### (5) Investment properties

	Buildings	Land use rights	Total
<b>Cost</b>			
31 December 2017	261,072,710	497,731,640	758,804,350
Transfer from fixed asset	3,304,353	—	3,304,353
Transfer from intangible asset	—	792,859,584	792,859,584
31 December 2018	<u>264,377,063</u>	<u>1,290,591,224</u>	<u>1,554,968,287</u>
<b>Accumulated depreciation</b>			
31 December 2017	(41,560,048)	(45,744,823)	(87,304,871)
Increase in the current period	(10,770,805)	(32,239,440)	(43,010,245)
Transfer from fixed asset	(420,409)	—	(420,409)
Transfer from intangible asset	—	(80,456,827)	(80,456,827)
31 December 2018	<u>(52,751,262)</u>	<u>(158,441,090)</u>	<u>(211,192,352)</u>
<b>Net book value</b>			
31 December 2018	<u>211,625,801</u>	<u>1,132,150,134</u>	<u>1,343,775,935</u>
31 December 2017	<u>219,512,662</u>	<u>451,986,817</u>	<u>671,499,479</u>

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

In 2018 and 2017, no capitalised borrowing cost was recognised in investment properties.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (6) Fixed assets

	Buildings	Terminal facilities	Storage facilities	Loading equipment	Machinery and equipment	Vessels	Motor vehicles	Communication facilities	Office equipment and others	Total
<b>Cost</b>										
31 December 2017	271,307,550	5,680,290,855	2,063,129,297	936,400,152	213,311,060	831,437,948	49,909,691	80,017,920	20,369,556	10,146,174,029
Transfers from										
construction in progress	8,660	—	115,900,315	5,976,484	26,277,880	—	—	3,356,244	59,442	151,579,025
Purchase in current period	—	120,385	39,000	15,366,167	34,973,614	91,439,655	5,693,766	10,122,965	2,794,381	160,549,933
Decrease in the										
current period	—	—	—	(25,643,270)	(1,760,897)	—	(1,688,580)	(432,470)	(1,389,547)	(30,914,764)
Transfer into										
investment property	(3,304,353)	—	—	—	—	—	—	—	—	(3,304,353)
31 December 2018	<u>268,011,857</u>	<u>5,680,411,240</u>	<u>2,179,068,612</u>	<u>932,099,533</u>	<u>272,801,657</u>	<u>922,877,603</u>	<u>53,914,877</u>	<u>93,064,659</u>	<u>21,833,832</u>	<u>10,424,083,870</u>
<b>Accumulated depreciation</b>										
31 December 2017	(44,852,754)	(624,038,465)	(226,826,766)	(612,325,232)	(95,646,561)	(220,005,700)	(30,240,528)	(34,049,361)	(14,032,930)	(1,902,018,297)
Increase in the										
current period	(12,172,653)	(156,988,614)	(64,300,177)	(91,641,756)	(25,158,116)	(54,022,170)	(4,538,376)	(11,981,667)	(1,508,365)	(422,311,894)
Decrease in the										
current period	—	—	—	22,623,261	1,179,366	—	921,382	179,283	839,750	25,743,042
Transfer to										
investment property	420,409	—	—	—	—	—	—	—	—	420,409
31 December 2018	<u>(56,604,998)</u>	<u>(781,027,079)</u>	<u>(291,126,943)</u>	<u>(681,343,727)</u>	<u>(119,625,311)</u>	<u>(274,027,870)</u>	<u>(33,857,522)</u>	<u>(45,851,745)</u>	<u>(14,701,545)</u>	<u>(2,298,166,740)</u>
<b>Net book value</b>										
31 December 2018	<u>211,406,859</u>	<u>4,899,384,161</u>	<u>1,887,941,669</u>	<u>250,755,806</u>	<u>153,176,346</u>	<u>648,849,733</u>	<u>20,057,355</u>	<u>47,212,914</u>	<u>7,132,287</u>	<u>8,125,917,130</u>
31 December 2017	<u>226,454,796</u>	<u>5,056,252,390</u>	<u>1,836,302,531</u>	<u>324,074,920</u>	<u>117,664,499</u>	<u>611,432,248</u>	<u>19,669,163</u>	<u>45,968,559</u>	<u>6,336,626</u>	<u>8,244,155,732</u>

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# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (6) Fixed assets (Continued)

As at 31 December 2018, the Company had no fixed assets which were mortgaged. (As at 31 December 2017: nil).

In 2018, the amounts of depreciation expenses were RMB 422,311,894 (In 2017: RMB 434,525,389) including charged to cost of sales and general and administrative expenses were RMB 407,605,035 and RMB 14,706,859 respectively (In 2017: RMB 415,914,100 and RMB 18,611,289).

For the year ended 31 December 2018, the costs of fixed assets transferred from construction in progress amount to RMB 151,579,025 (For the year ended 31 December 2017: RMB 2,022,195,871).

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

As at 31 December 2018, properties with a carrying amount of RMB 182,916 located on non-self-own lands without certificates. (For the year ended 31 December 2017: RMB 189,651).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (7) Construction in progress

	31 December 2018			31 December 2017		
	Carrying amount	Impairment provision	Net book value	Carrying amount	Impairment provision	Net book value
Dongjiakou stevedoring, storage and transportation projects for liquid bulk cargo	479,440,622	—	479,440,622	401,009,725	—	401,009,725
Dongjiakou bulk cargo berths and storage yard project	641,819,662	—	641,819,662	622,953,990	—	622,953,990
Other projects	95,095,116	—	95,095,116	50,198,259	—	50,198,259
	<u>1,216,355,400</u>	<u>—</u>	<u>1,216,355,400</u>	<u>1,074,161,974</u>	<u>—</u>	<u>1,074,161,974</u>

### (i) Changes of major projects

Project name	Budget	31 December 2017	Increase in the current period	Transfer to fixed assets	Transfer to intangible assets	31 December 2018	The percentage of project investment among budget	Progress of the project	Sources of capital
Dongjiakou stevedoring, storage and transportation projects for liquid bulk cargo	1,596,610,000	401,009,725	78,430,897	—	—	479,440,622	30%	30%	Internall capital
Dongjiakou bulk cargo berths and storage yard project	1,376,485,484	622,953,990	132,610,712	(113,745,040)	—	641,819,662	65%	65%	Internall capital
Other projects	161,354,366	50,198,259	82,730,842	(37,833,985)	—	95,095,116	82%	82%	Internall capital
		<u>1,074,161,974</u>	<u>293,772,451</u>	<u>(151,579,025)</u>	<u>—</u>	<u>1,216,355,400</u>			

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (8) Intangible assets

	Land use rights	Software	Sea area use rights	Others	Total
<b>Cost</b>					
31 December 2017	2,381,989,069	31,229,796	1,362,580	32,269,286	2,446,850,731
Increase in the current period					
Purchase	764,214,738	—	—	—	764,214,738
Internal research and development	—	27,211,800	—	—	27,211,800
Transfer from construction in progress	—	—	—	—	—
Decrease in the current period					
Transfer into investment properties	(792,859,584)	—	—	—	(792,859,584)
Others	(69,566,373)	—	—	—	(69,566,373)
31 December 2018	2,283,777,850	58,441,596	1,362,580	32,269,286	2,375,851,312
<b>Accumulated amortisation</b>					
31 December 2017	(212,760,184)	(14,129,068)	(109,010)	(14,354,182)	(241,352,444)
Increase in the current period					
Provision	(46,229,967)	(7,089,278)	(27,252)	(3,006,250)	(56,352,747)
Decrease in the current period					
Transfer into investment properties	80,456,827	—	—	—	80,456,827
Others	1,499,733	—	—	—	1,499,733
31 December 2018	(177,033,591)	(21,218,346)	(136,262)	(17,360,432)	(215,748,631)
<b>Book value</b>					
31 December 2018	2,106,744,259	37,223,250	1,226,318	14,908,854	2,160,102,681
31 December 2017	2,169,228,885	17,100,728	1,253,570	17,915,104	2,205,498,287

In 2018, the amortisation of intangible assets amounted to RMB 56,352,747 (In 2017: RMB 61,131,996).

As at 31 December 2018, the Company had no intangible assets which were mortgaged (As at 31 December 2017: nil).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (8) Intangible assets (Continued)

As at 31 December 2018 and 31 December 2017, the management of the Company considered that there was no indication that the intangible assets may be impaired and therefore no provision for impairment was recorded.

The Group's development expenses are as follows:

	31 December 2017	Increase in current period	Decrease in current period		31 December 2018
			Recorded in profit and loss	Recognised as intangible assets	
Software	—	32,489,884	(5,278,084)	(27,211,800)	—
Patented technology	—	9,196,987	(9,196,987)	—	—
Others	—	493,019	(493,019)	—	—
	—	42,179,890	(14,968,090)	(27,211,800)	—

For the year ended 31 December 2018, the Company's R&D expenses totaled RMB 42,179,890 (For the year ended 31 December 2017: RMB 3,540,600), of which, RMB 14,968,090 (For the year ended 31 December 2017: RMB 3,540,600) was recorded in profit and loss and RMB 27,211,800 (For the year ended 31 December 2017: nil) was recognised as intangible assets. As at 31 December 2018, the intangible assets developed by the Company accounted for 1.26% (31 December 2017:nil) of the book value of intangible assets.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (9) Provision for asset impairment

	31 December 2017	Changes in accounting policies	1 January 2018	Increase in the current period	Decrease in the current period		31 December 2018
					Reversal	Write-off	
Provision for bad debts of notes receivable and accounts receivable	51,289,353	—	51,289,353	—	(13,937,457)	—	<b>37,351,896</b>
Including: Provision for bad debts on the individual basis	1,195,671	—	1,195,671	—	—	—	<b>1,195,671</b>
Provision for bad debts on the grouping basis	50,093,682	—	50,093,682	—	(13,937,457)	—	<b>36,156,225</b>
Provision for bad debts of other receivables	26,526,128	—	26,526,128	—	(10,706,583)	(10,340,778)	<b>5,478,767</b>
Including: Provision for bad debts on the individual basis	10,340,778	—	10,340,778	—	—	(10,340,778)	—
Provision for bad debts on the grouping basis	16,185,350	—	16,185,350	—	(10,706,583)	—	<b>5,478,767</b>
Provision for bad debts of long-term receivables	49,875,000	—	49,875,000	—	(41,683,894)	—	<b>8,191,106</b>
Provision for bad debts of contract assets	—	6,849,888	6,849,888	—	(963,535)	—	<b>5,886,353</b>
	<u>127,690,481</u>	<u>6,849,888</u>	<u>134,540,369</u>	<u>—</u>	<u>(67,291,469)</u>	<u>(10,340,778)</u>	<u><b>56,908,122</b></u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (10) Capital surplus

	31 December 2017	Increase in the current period	Decrease in the current period	31 December 2018
Share premium (Note 4(34))				
Capital premium contributed				
by Qingdao Port Group	7,052,279,474	—	—	7,052,279,474
Capital premium contributed				
by Other Promoters	783,586,608	—	—	783,586,608
Newly issued	7,012,559,612	—	—	7,012,559,612
Shares issue expenses	(126,431,506)	—	—	(126,431,506)
Business combination involving				
enterprises under common control	(31,531,719)	—	—	(31,531,719)
Other capital surplus -				
Share of changes in equity other				
than comprehensive income and				
profit distribution of investees				
under the equity method	9,135,725	7,168,274	—	16,303,999
	<u>14,699,598,194</u>	<u>7,168,274</u>	<u>—</u>	<u>14,706,766,468</u>
	31 December 2016	Increase in the current period	Decrease in the current period	31 December 2017
Share premium (Note 4(34))				
Capital premium contributed by				
Qingdao Port Group	7,052,279,474	—	—	7,052,279,474
Capital premium contributed by				
Other Promoters	783,586,608	—	—	783,586,608
Newly issued	1,547,306,924	5,465,252,688	—	7,012,559,612
Shares issue expenses	(113,422,026)	(13,009,480)	—	(126,431,506)
Business combination involving				
enterprises under common control	(31,531,719)	—	—	(31,531,719)
Other capital surplus -				
Share of changes in equity other				
than comprehensive income and				
profit distribution of investees				
under the equity method	12,213,780	(3,078,055)	—	9,135,725
	<u>9,250,433,041</u>	<u>5,449,165,153</u>	<u>—</u>	<u>14,699,598,194</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (11) Undistributed profits

	<b>For the year ended 31 December 2018</b>	For the year ended 31 December 2017
Undistributed profits at beginning of period (before adjustment)	3,667,606,207	2,257,979,547
Adjustment (a)	(5,137,416)	—
Undistributed profits at beginning of period (after adjustment)	3,662,468,791	2,257,979,547
Add: Net profit for the current period	3,129,840,038	2,441,308,526
Less: appropriation of statutory surplus reserve	(312,984,004)	(244,130,853)
Profit distribution to shareholders (Note 4(38))	—	(787,551,013)
Undistributed profits at the end of the period	<u>6,479,324,825</u>	<u>3,667,606,207</u>

- (a) In 2018, undistributed profit at the beginning of period adjusted RMB 5,137,416 due to the first implementation of the new revenue accounting standard and new financial instruments standard. (Note 2(30))

### (12) Revenue and cost of sales

	<b>For the year ended 31 December 2018</b>	For the year ended 31 December 2017
Revenue from main operations	4,667,577,507	4,588,785,539
Revenue from other operations	<u>1,093,175,436</u>	<u>918,763,908</u>
	<u>5,760,752,943</u>	<u>5,507,549,447</u>
	<b>For the year ended 31 December 2018</b>	For the year ended 31 December 2017
Cost of sales from main operations	(3,383,091,803)	(3,296,104,587)
Cost of sales from other operations	<u>(782,126,515)</u>	<u>(679,119,541)</u>
	<u>(4,165,218,318)</u>	<u>(3,975,224,128)</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

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

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

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
Container handling and ancillary services	240,606,073	(85,444,007)	241,411,126	(69,523,369)
Metal ore, coal and other cargo handling and ancillary services	3,024,468,440	(2,442,225,386)	3,103,082,346	(2,492,306,926)
Liquid bulk cargo handling and ancillary services	216,126,582	(16,797,860)	174,571,650	(16,629,755)
Logistics and port value-added services	605,562,033	(338,903,787)	586,117,783	(310,303,437)
Port ancillary services - construction, labour and sales of port machinery	580,814,379	(499,720,763)	483,602,634	(407,341,100)
	<u>4,667,577,507</u>	<u>(3,383,091,803)</u>	<u>4,588,785,539</u>	<u>(3,296,104,587)</u>

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

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Port ancillary service - sales of fuel, electricity and others	<u>1,093,175,436</u>	<u>(782,126,515)</u>	<u>918,763,908</u>	<u>(679,119,541)</u>

- (i) In 2018 the above revenue categories, except for contract obligations of partial port ancillary services like sales of fuel, electricity and others are satisfied at a point in time and leasing rental income, the remaining contract obligations are satisfied over-time.
- (ii) As at 31 December 2018, the amount of income corresponding to the performance obligation of the Company that has signed the contract but has not fulfilled or has not fulfilled is RMB 82,590,000. Among them, the Company expects that RMB 80,040,000 will be recognized in 2019, and RMB 2,550,000 will be recognized as income in 2020.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (13) General and administrative expenses

	<b>For the year ended 31 December 2018</b>	For the year ended 31 December 2018
Employee benefits	<b>188,554,754</b>	204,529,516
Intermediary service fee	<b>16,141,906</b>	32,946,215
Depreciation of fixed assets	<b>14,706,859</b>	18,611,289
Fuel and utility fees	<b>10,831,321</b>	12,371,328
Repair expenses	<b>7,834,267</b>	6,863,402
Amortisation of intangible assets	<b>6,999,568</b>	4,905,483
Consumption of other raw materials	<b>5,791,483</b>	3,534,543
Rental expenses	<b>921,286</b>	4,445,500
Amortisation of long-term prepaid expenses	<b>94,288</b>	619,287
Others	<b>34,188,675</b>	27,991,952
	<b><u>286,064,407</u></b>	<b><u>316,818,515</u></b>

### (14) Financial expenses

	<b>For the year ended 31 December 2018</b>	For the year ended 31 December 2018
Interest costs	<b>118,480,906</b>	127,033,911
Less: Capitalised interest	—	—
Interest expenses	<b>118,480,906</b>	127,033,911
Less: Interest income	<b>(98,940,769)</b>	(37,882,457)
Effect of actuarial calculation of employee benefits	<b>87,560,000</b>	85,220,000
Exchange gains or losses	<b>(42,818,591)</b>	43,406,254
Others	<b>382,921</b>	454,872
	<b><u>64,664,467</u></b>	<b><u>218,232,580</u></b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (15) Expenses by nature

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

	<b>For the year ended 31 December 2018</b>	For the year ended 31 December 2017
Employee benefits	1,240,553,442	1,222,121,706
Subcontract cost	931,466,501	950,156,019
Cost of sales for fuel and electricity	435,185,634	362,580,039
Depreciation of fixed assets	422,311,894	434,525,389
Cost for outsourcing transportation	413,452,307	391,260,036
Consumption of other raw materials	238,048,212	218,279,612
Consumption of raw materials in construction contract	230,357,290	171,527,174
Fuel and utility fees	192,982,208	181,731,482
Repair charges	101,173,359	91,172,484
Rental expenses	93,480,306	93,044,216
Amortisation of intangible assets	56,352,747	61,131,996
Depreciation of investment properties	43,010,245	21,585,709
Consulting fee	11,135,358	24,132,255
Amortisation of long-term prepaid expenses	4,495,858	10,949,936
Auditor's fee	4,783,019	8,630,150
- Audit services	4,764,151	8,600,187
- Non-audit services	18,868	29,963
other	66,876,902	68,116,792
	<b>4,485,665,282</b>	<b>4,310,944,995</b>

### (16) Asset impairment losses

	<b>For the year ended 31 December 2018</b>	For the year ended 31 December 2017
Provision for bad debts	—	41,367,807



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (17) Impairment loss on credit

	<b>For the year ended 31 December 2018</b>	For the year ended 31 December 2017
Provision for bad debts of notes receivable and accounts receivable	<b>(13,937,457)</b>	—
Provision for bad debts of other receivables	<b>(10,706,583)</b>	—
Provision for bad debts of long-term receivables	<b>(41,683,894)</b>	—
Provision for bad debts of contract assets	<b>(963,535)</b>	—
	<b><u>(67,291,469)</u></b>	<u>—</u>

### (18) Investment income

	<b>For the year ended 31 December 2018</b>	For the year ended 31 December 2017
Cash dividend declared from investments under cost method	<b>787,701,031</b>	555,566,688
Investment income from long-term equity investments under equity method	<b>1,283,001,281</b>	1,108,662,568
Interest income earned for holding of debt investments	<b>192,651,462</b>	164,542,759
Investment income from disposal of other debt investment	<b>5,917,808</b>	—
Investment income from disposal of available-for-sale financial assets	—	58,500
Dividend income from other equity instruments investment	<b>3,698,485</b>	—
Investment income from disposal of available-for-sale financial assets	—	3,312,043
Investment income from disposal of long-term equity investments	<b>(249,789)</b>	4,593,672
	<b><u>2,272,720,278</u></b>	<u>1,836,736,230</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (19) Income tax expenses

	<b>For the year ended 31 December 2018</b>	For the year ended 31 December 2017
Current income tax calculated based on tax law and related regulations	<b>345,767,986</b>	293,880,903
Deferred income tax	<b>29,577,957</b>	(2,971,448)
	<b><u>375,345,943</u></b>	<u>290,909,455</u>

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

	<b>For the year ended 31 December 2018</b>	For the year ended 31 December 2017
Total profit	<b>3,505,185,981</b>	2,732,217,981
Income tax expenses calculated at applicable tax rates	<b>876,296,495</b>	683,054,495
Investment income not subject to tax	<b>(517,675,578)</b>	(416,057,314)
Additional deduction of employee benefits of the disabled	<b>(1,477,865)</b>	(1,615,182)
Costs, expenses and losses not deductible for tax purposes	<b>18,202,891</b>	25,527,456
Income tax expenses	<b><u>375,345,943</u></b>	<u>290,909,455</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (20) Other comprehensive income

#### (a) Reconciliation of other comprehensive income

	Changes in the remeasurement of net liability related to the defined benefit plan
1 January 2017	(65,200,000)
Movements in the current period	<u>336,020,000</u>
31 December 2017	<u>270,820,000</u>
1 January 2018	<b>270,820,000</b>
Movements in the current period	<b><u>(133,110,000)</u></b>
31 December 2018	<b><u>137,710,000</u></b>

#### (b) Other comprehensive income and the related income tax effect and the reclassifications into profit or loss

	For the year ended 31 December 2018		
	Amount before tax	Income tax	Net after tax
Other comprehensive income items which will not be reclassified subsequently to profit or loss			
Changes in the remeasurement of net liability related to the defined benefit plan	<u>(133,110,000)</u>	<u>—</u>	<u>(133,110,000)</u>
	For the year ended 31 December 2017		
	Amount before tax	Income tax	Net after tax
Other comprehensive income items which will not be reclassified subsequently to profit or loss			
Changes in the remeasurement of net liability related to the defined benefit plan	<u>336,020,000</u>	<u>—</u>	<u>336,020,000</u>

# SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 1 STATEMENT OF NON-RECURRING PROFIT OR LOSS

All amounts in RMB Yuan	<b>For the year ended 31 December 2018</b>	For the year ended 31 December 2017
Interest income from external entrusted loans of entities other than Qingdao Finance	<b>81,758,380</b>	88,259,678
Government grants recognised in profit or loss for the current period	<b>38,205,354</b>	59,527,465
Investment income gained on disposal of wealth management products of entities other than Qingdao Finance	<b>5,921,801</b>	6,665,636
Gains and losses from changes in fair value of financial assets held-for-trading other than effective hedging business related to the normal operations of the Company	<b>5,014,902</b>	—
Net income from disposal of non-current assets	<b>40,545,867</b>	29,758,720
Reversal of the provision on receivables assessed for impairment on the individual basis	—	71,180,000
Gains/(losses) on disposal of subsidiaries/joint ventures	<b>(255,633)</b>	(3,154,559)
Net amount of other non-operating income and expenses	<b>45,657,316</b>	14,423,043
Subtotal	<b>216,847,987</b>	266,659,983
Less: Income tax effect	<b>(54,211,997)</b>	(66,664,996)
Less: Non-recurring gains and losses attributable to minority shareholders	<b>(13,860,450)</b>	(3,083,952)
Non-recurring gains and losses attributable to shareholders of the parent company	<b>148,775,540</b>	196,911,035

### Basis for preparation of statement of non-recurring profit or loss

Pursuant to the *Explanatory Announcement for Information Disclosure of Companies Offering Securities to the Public No.1 – Non-recurring Profit or Loss (2008)* issued by China Securities Regulatory Commission, non-recurring profit or loss refers to profit or loss arising from transactions and events that are not directly related to the company's normal course of business or that are relevant to ordinary activities, but are extraordinary and not expected to recur frequently that would have an influence on users of financial statements making economic decisions on the financial performance and profitability of an enterprise.

# SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

## 2 RETURN ON EQUITY AND EPS

	Weighted average return on equity (%)		EPS			
			Basic EPS		Diluted EPS	
	For the year ended 31 December 2018	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2017
Net profit attributable to ordinary shareholders of the company	14.23%	15.54%	0.60	0.55	0.60	0.55
Net profit attributable to ordinary shareholders of the company after deducting non-recurring profit or loss	13.64%	14.53%	0.57	0.51	0.57	0.51



