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

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

Stock Code : 3369

ANNUAL REPORT

2018

*For identification purposes only

CONTENTS

QINHUANGDAO PORT CO., LTD. | ANNUAL REPORT 2018

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"A Share(s)"	the RMB ordinary share(s) issued by the Company in China, which are subscribed for in RMB and listed on the SSE, with a nominal value of RMB1.00 each
"AGM" or "Annual General Meeting"	the annual general meeting or its adjourned meetings of the Company to be held at 10:00 am on Thursday, 20 June 2019 at Qinhuangdao Sea View Hotel, 25 Donggang Road, Haigang District, Qinhuangdao, Hebei Province, PRC
"Articles of Association"	the articles of association of the Company
"Audit Committee"	the audit committee of the Board
"Berth"	area for mooring of vessels on the shoreline. A berth means one designated place for a vessel to moor
"Board of Directors" or "Board"	the board of directors of the Company
"Cangzhou Bohai Port"	Cangzhou Bohai Stevedoring Co., Ltd.* (滄州渤海港務有限公司), a company incorporated in the PRC with limited liability on 31 October 2007, with 96.08% of its equity interest held by the Company as at the date of this report
"Cangzhou Crude Oil Stevedoring Co."	Cangzhou Huanghua Port Crude Oil Stevedoring Co., Ltd.* (滄州黃驊港原油港務有限公司), a company incorporated in the PRC with limited liability on 25 April 2014, with 65.00% of its equity interest held by the Company as at the date of this report
"Cangzhou Mineral Port"	Cangzhou Huanghuagang Mineral Port Co., Ltd.* (滄州黃驊港礦石港務有限公司), a company incorporated in the PRC with limited liability on 10 April 2012, with 98.90% of its equity interest held by the Company as at the date of this report
"Caofeidian Coal Port"	Tangshan Caofeidian Coal Port Co., Ltd.* (唐山曹妃甸煤炭港務有限公司), a company incorporated in the PRC with limited liability on 29 October 2009 with 51.00% of its equity interest held by the Company as at the date of this report
"Caofeidian Port"	Caofeidian Port Zone in Tangshan Port, Tangshan City, Hebei Province
"Company"	Qinhuangdao Port Co., Ltd.* (秦皇島港股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC on 31 March 2008
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"Director(s)"	director(s) of the Company

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"Dry bulk"	solid commodity cargo comprised of major dry bulk (coal, metal ore and grain) and other dry bulk commodities such as sugar, cement and fertilizer
"Global Offering"	the issuance of H Shares of the Company by way of Hong Kong public offering and international offering in 2013
"the Group"	the Company and all of its subsidiaries (unless the context otherwise requires)
"H Share(s)"	overseas listed foreign invested ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed and traded on the Stock Exchange
"HBIS"	HBIS Group Co., Ltd.* (河鋼集團國際物流有限公司), a company incorporated in the PRC with limited liability
"harbor"	a port of haven where ships may anchor
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HPG"	Hebei Port Group Co., Ltd.* (河北港口集團有限公司), previously known as Qinhuangdao Port Group Co., Ltd.* (秦皇島港務集團有限公司), which directly holds 54.27% equity interest of the Company
"Huanghua Port"	Huanghua Port in Cangzhou City, Hebei Province
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"PRC" or "China"	the People's Republic of China which, for the purpose of this report, excludes Hong Kong Special Administrative Region of the PRC, Macau Special Administrative Region of the PRC and Taiwan
"Prospectus"	the prospectus of the Company dated 29 November 2013 in connection with the Global Offering
"Qinhuangdao Port"	Qinhuangdao Port in Qinhuangdao City, Hebei Province
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended from time to time
"Share(s)"	A Share(s) and/or H Share(s) (as the case may be)
"Shareholder(s)"	holder(s) of our Shares
"SSE"	the Shanghai Stock Exchange
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Terminal"	a major construction of a harbor which is designated for mooring vessels, loading and unloading cargoes and boarding travelers
"TEU" or "container"	a box made of aluminum, steel or fiberglass and used to transport by ship, rail or barge. The standardized dimension (i.e. one TEU) is twenty feet in length, eight feet and six inches in height and eight feet in width
"Throughput"	a measure of the volume of cargo handled by a port. Where cargoes are transshipped, each unloading and loading process is measured separately as part of throughput
"the Year" or "the Reporting Period"	the year ended 31 December 2018

CORPORATE INFORMATION

Official Name of the Company

秦皇島港股份有限公司

English Name of the Company

QINHUANGDAO PORT CO., LTD.*

Legal Representative

Mr. CAO Ziyu (曹子玉)

Board of Directors

(1) Executive Directors

Mr. CAO Ziyu (曹子玉)
Mr. YANG Wensheng (楊文勝)
Mr. WANG Lubiao (王錄彪)
(resigned as an Executive Director of the Company on 27 March 2019)
Mr. MA Xiping (馬喜平)

(2) Non-executive Directors

Mr. LIU Guanghai (劉廣海)
Mr. LI Jianping (李建平)
Ms. XIAO Xiang (肖湘)

(3) Independent Non-executive Directors

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

Board Committees

(1) Audit Committee

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

(2) Remuneration and Appraisal Committee

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

(3) Nomination Committee

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

(4) Strategy Committee

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

Supervisory Committee

(1) Supervisors

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

(2) Employee Representative Supervisors

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

* *For identification purpose only*

CORPORATE INFORMATION

Company Secretary

Mr. ZHANG Nan (張楠)

Authorized Representatives

Mr. MA Xiping (馬喜平)
Mr. ZHANG Nan (張楠)

Auditors

Ernst & Young Hua Ming LLP
Level 16, Ernst & Young Tower Oriental Plaza,
No 1 East Chang An Avenue Dongcheng District,
Beijing, the PRC

Legal Advisors as to Hong Kong Law

Herbert Smith Freehills
23/F, Gloucester Tower, 15 Queen's Road Central
Central, Hong Kong

Registered Address

35 Haibin Road, Haigang District, Qinhuangdao
Hebei Province, the PRC

Headquarters

35 Haibin Road, Haigang District, Qinhuangdao
Hebei Province, the PRC

Principal Place of Business

35 Haibin Road Qinhuangdao
Hebei Province, the PRC

Principal Place of Business in Hong Kong

Room C, 26/F, Tower A, Billion Centre,
1 Wang Kwong Road,
Kowloon Bay, Hong Kong

Principal Bankers

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

H Share Registrar in Hong Kong

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

Company Website

www.portqhd.com

Stock Code

03369 (H share)
601326 (A share)

CHAIRMAN'S STATEMENT

CHAIRMAN’S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the annual report of the Group for the year ended 31 December 2018.

Analysis of the Macroeconomic Condition

During the year, the world economic growth slowed down. Despite the continuously rising economic growth rate of a few economies such as the United States, the economic growth rate of most other economies has declined. In addition, there are some noticeable features, such as the slowdown in international trade growth, the sluggish international direct investment activity, the continuous increase of global debt levels and the turmoil in financial markets. In the face of the intricate international and domestic environment, the Chinese economy has maintained a generally stable growth, and has successfully completed the main expected targets for economic and social development with the annual GDP growth reaching 6.6%.

Performance of Major Business and Dividends

During the year, facing the unfavorable environment in which international trade disputes was intensifying and pressure from domestic environmental protection policies was increasing and steelworks in the hinterland limited production, the Group expanded markets externally, and reduced costs and increased benefits internally, achieving steady growth in throughput. At the same time, in order to improve the quality of development in long term and the operational efficiency, the Group carried out measures such as “streamlining structure” and reducing posts and personnel, and therefore the short-term net profit declined.

During the Year, the Group has achieved a total throughput for all types of cargoes of 382 million tonnes, representing an increase of 0.46% as compared with 2017. The throughput of coals, metal ores, oil and liquefied chemicals, containers and the general and other cargoes amounted to 244 million tonnes, 105 million tonnes, 2.52 million tonnes, 19.11 million tonnes and 11.07 million tonnes, respectively. The Group has achieved an operating income of RMB6.877 billion during the year, representing a decrease of 2.22% as compared with RMB7.033 billion for the corresponding period last year. The net profit attributable to owners of the parent company amounted to RMB810 million, representing a decrease of 15.86% as compared with RMB963 million for the corresponding period last year. The Board of Directors proposed to distribute a final dividend of RMB0.077 per share (inclusive of tax) for the Year.

Business Review

As one of the largest public port operator for major dry bulk cargoes in the world, a pivotal port-of-call for China’s domestic coal trade and one of the most important ore port operators in the Bohai Rim, the Company provides coal and relevant logistics services, metal ores and relevant logistics services, oil/liquefied chemicals and relevant logistics services, general bulk cargoes and relevant logistics services, containers and relevant logistics services and value-added port services.

In the face of the new external situation, the Group increased marketing, strengthened management, tapped potential and improved efficiency, and thus improved service quality, and achieved a basically stable coal business in Qinhuangdao Port. The total container volume and the coal throughput in Caofeidian Port reached a new high and the structural adjustments of the port cargo business have achieved initial results.

For coal business, the Group comprehensively promoted marketing and expanded long-term lease cooperation; strengthened production planning, scientifically deployed space and positions to improve its space utilization rate; built the website for business dealings to facilitate customers to go through business procedures online, and improved the service functions of the website. For metal ore business, we actively implemented the national policy of "transformation from road haulage to rail-freight transport", increased the development of the cargo source for rail-freight transport, and improved port operation efficiency. In respect of oil and liquefied chemicals, we devoted greater efforts in solicitation of cargoes, actively undertook cross-border oil products business, and deepened cooperation with CNPC and storage and transportation companies in the hinterland to jointly carry out condensate and refined oil transfer business. In respect of container business, through cooperation with railway and shipping companies to develop markets, the Group cooperated with railway and shipping companies in market development to further expand the cargoes sources of "dry bulk & general cargoes to containers", and carry out cross-border sea-rail multimodal transport business to increase the density of existing routes.

Capital Operation

The year 2018 was the first year when the Company operated as the first state-controlled A+H dual-capitalized platform listed company in Hebei Province. The Group strictly abided by domestic and overseas regulatory rules, strengthened compliance governance, promoted market-oriented reforms, deepened the establishment of internal control mechanism, and was successfully listed as one of the "Double Hundred Actions (雙百行動)" enterprises in China's SOE reforms. In the future, based on the overall strategic needs of the Group, the Group will make full use of the advantages of the dual-capitalized platform and identify opportunity to carry out capital operation projects to provide strong support for the development of the Group's main business.

Outlook and Prospects

In 2019, the world economy will be full of uncertainties. The economic downside risks will increase, international trade growth momentum will weaken, turmoil in global financial market will intensify, and the influence of Sino-US economic and trade frictions will gradually appear. Domestically, we will continue to adhere to the general principle of work of "seeking improvement in stability" and deepen reforms while seeking to keep economic growth within a reasonable range. The implementation of strategies such as the coordinated development of Beijing-Tianjin-Hebei, the "Belt and Road" Initiative and the Xiong'an New District will bring new external opportunities for the port economy.

In 2019, the Group will meet both challenges and opportunities. Both the Mongolia-Hebei Railway and the Huaneng's and Huadian's Cainfeidian Coal Wharf have gone into operation, thus the competition between the coal passages and wharfs has further intensified. UHV and hydropower have crowded out the demand for thermal power. Environmental protection policies have increased the pressure on port production planning. However, it should be noted at the same time that the central government will increase investment in infrastructure, which will effectively drive the demand for thermal coal in the building materials industry such as cement and steel. The continuously imposed restrictions on imported coal by the state, and the deepening of the cutting overcapacity policy will further drive the nation's coal production supply to concentrate in Shanxi, Shaanxi and western Inner Mongolia, providing source for port cargo. The Group will continue to take efficiency as the goal, increase scientific and technological innovation, accelerate the transformation of old driving forces into new ones, promote the deep integration of the Internet and production and operation, strengthen the role of informationization on driving the development of and improving the main business of the port, and promote the green, intelligent and high quality development of ports.

Finally, on behalf of the Board, I would like to express my gratitude to all Shareholders and business partners of the Group for their continuous support and assistance to the Group. Meanwhile, I would also like to express my sincere thanks to all employees of the Group for their hard works.

Qinhuangdao Port Co., Ltd.
Cao Ziyu
Chairman

27 March 2019

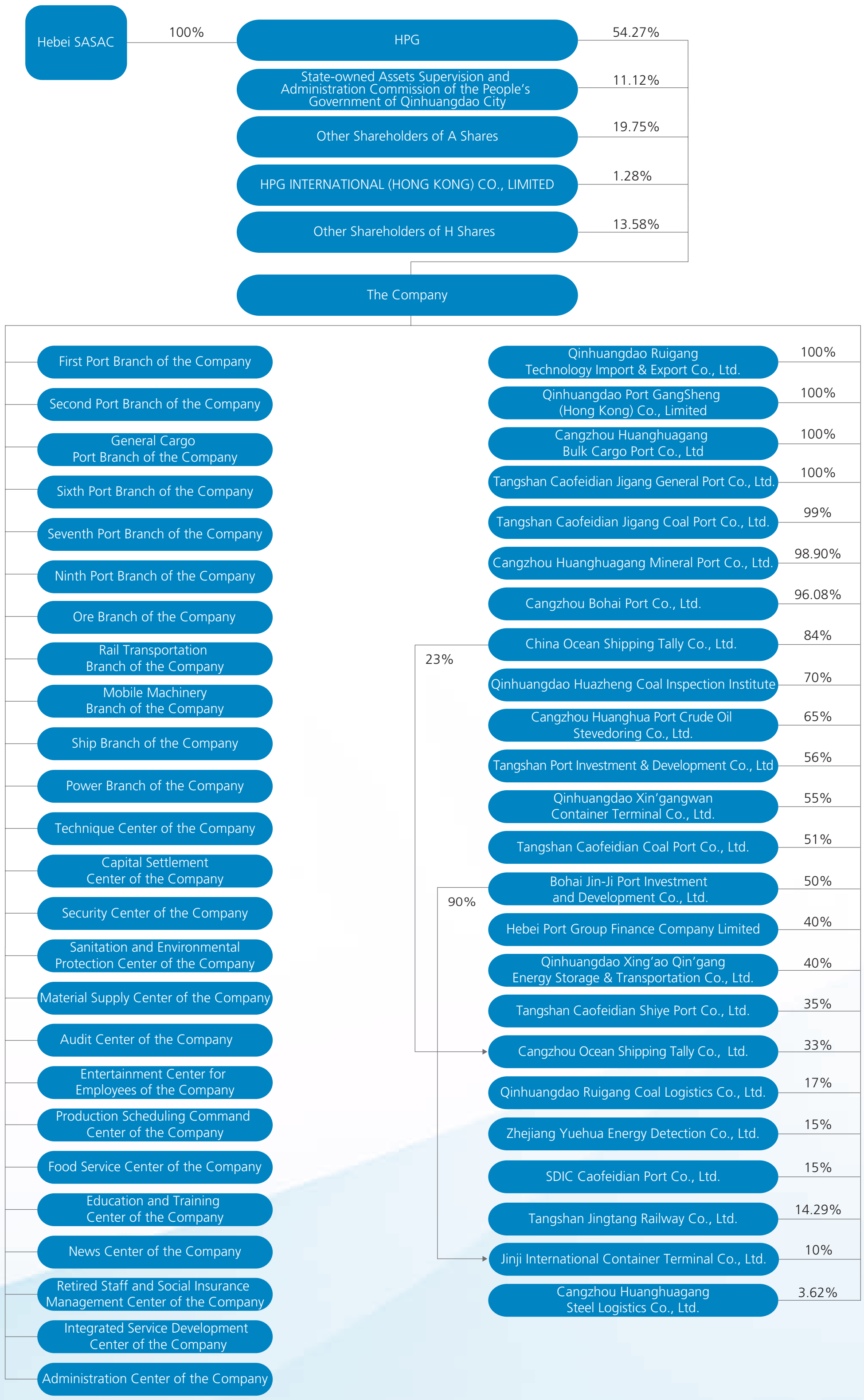
FINANCIAL HIGHLIGHTS

	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Summary of income statement					
Revenue	**6,876,632**	7,032,668	4,911,006	6,889,894	7,223,103
Gross profit	**2,857,585**	2,505,283	1,337,569	2,810,968	3,146,107
Total profit	**1,028,185**	1,229,781	485,281	1,713,418	2,557,383
Net profit attributable to owners of the parent company	**810,263**	962,971	365,029	1,344,490	1,980,145
Basic/diluted earnings per share (RMB cents)	**14.50**	18.38	7.26	26.73	39.37
Summary of balance sheet					
Cash and bank balances	**2,607,072**	1,983,285	1,857,033	2,483,302	3,095,476
Net current liabilities	**603,204**	1,228,795	1,987,701	1,089,841	1,632,545
Total assets	**25,959,191**	25,774,835	26,290,687	27,170,291	28,136,779
Interest-bearing bank borrowings	**7,432,290**	8,124,014	11,266,402	11,584,954	11,010,089
Gearing ratio (%)	**42.26%**	43.47%	51.82%	52.00%	52.31%
Net assets per Share (RMB)	**2.49**	2.40	2.27	2.35	2.43
Return on net assets (%)	**5.90%**	7.80%	3.14%	11.18%	16.42%
Summary of cash flow statement					
Net cash flows from operating activities	**2,697,203**	2,903,248	1,488,869	2,321,238	2,983,811
Net cash flows from investing activities	**-70,421**	-1,686,538	-85,788	-2,042,456	-3,172,428
Net cash flows from financing activities	**-1,647,966**	-1,351,607	-1,645,427	-1,813,707	-2,479,954
Net increase in cash and cash equivalents	**985,327**	-150,659	-226,651	-1,525,783	-2,635,117

All financial data is presented according to the China Accounting Standards for Business Enterprises.

SHAREHOLDING STRUCTURE OF THE GROUP

As at 31 December 2018, the shareholding structure of the Group was as follows:



MANAGEMENT DISCUSSION AND ANALYSIS

(I) Industry Overview

(1) Overview of Port Industry in the PRC

In 2018, China's GDP exceeded RMB90 trillion for the first time, representing a year-on-year increase of 6.6%, and the stability and resilience of macroeconomic operations increased significantly. With the supply-side structural reform being further advanced, the three major battles have been carried out in a solid manner, the new economic drivers have grown rapidly, the economic structure has been optimized continuously, the pace of reform and opening up has accelerated, and new progress has been made in transformation and upgrading. Under such background, the throughput of ports above designated size nationwide reached 9.213 billion tonnes, representing a year-on-year increase of 4.2%.

(2) Overview of Port Coal Industry in the PRC

In 2018, with the continuous advancement of the policy of replacing coal production capacity and releasing quality production capacity, the production of raw coal gradually recovered. The output of raw coal in 2018 was 3.55 billion tonnes, representing a year-on-year increase of 5.2%, and the growth rate was 2.0 percentage points higher than the previous year. The production of raw coal continued to be concentrated in advantageous regions and enterprises, in which, the production of raw coal in Inner Mongolia, Shanxi and Shaanxi provinces accounted for 68.9% of the total output nationwide, an increase of 2.0 percentage points over the previous year. The import of raw coal reached 280 million tonnes, representing a year-on-year increase of 3.9%, and the growth rate dropped by 2.2 percentage points from the previous year.

(3) Overview of Port Metal Ore Industry in the PRC

In 2018, the elimination of backward production capacity in China's steel industry was still continuing, the environmental protection and production restriction were relaxed to a certain extent, and the supply kept relatively stable. The winter environmental protection and production restriction policy has been relaxed compared with last year. In 2018, the output of crude steel in China was 928 million tonnes, representing a year-on-year increase of 6.6%, and the growth rate was 0.9 percentage point higher than the previous year. In 2018, the overall environmental protection and production restriction were relatively loose, however, due to the destocking of import of iron ore from domestic ports and the impact of steel profit changes, the annual import volume of iron ore was 1.064 billion tonnes, representing a year-on-year decrease of 10.266 million tonnes or 1.0%.

(4) Overview of Port Oil Industry in the PRC

In 2018, the decline in crude oil production narrowed, and the production has gradually stabilized since the sharp decline in 2016. The output of crude oil in 2018 was 190 million tonnes, down by 1.3% from the previous year, and the decline was 2.7 percentage points lower than the previous year. In 2018, the import of crude oil was 460 million tonnes, up by 10.1%, and unchanged from the previous year.

Source: Ministry of Transport, websites of National Development and Reform Commission and General Administration of Customs of the PRC

(II) Results of Operation and Financial Performance

(1) Revenue

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

During the Year, the revenue of the Group amounted to RMB6,876,632 thousand, representing a decrease of RMB156,036 thousand or 2.22% as compared with the revenue of RMB7,032,668 thousand in 2017. Such decrease was mainly attributable to: 1. a decrease in cargo throughput of Qinhuangdao Port and Cangzhou Bohai, a subsidiary of the Group, as a result of the demand for thermal coal in the south and horizontal competition among neighboring ports; 2. the year-on-year increase in the revenue led by the increase in throughput in Cangzhou Mineral Port and Caofeidian Coal Port, the subsidiaries of the Group.

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

	For the year ended 31 December					
	2018		2017			
	Revenue (RMB'000)	**Percentage of total revenue (%)**	Revenue (RMB'000)	Percentage of total revenue (%)	Increase/ (decrease) (RMB'000)	Increase/ (decrease) (%)
Coal	**5,352,602**	**77.84**	5,360,058	76.22	(7,456)	(0.14)
Metal ore	**1,128,387**	**16.41**	1,212,162	17.24	(83,775)	(6.91)
Oil and liquefied chemicals	**58,101**	**0.84**	66,976	0.95	(8,875)	(13.25)
Container	**87,290**	**1.27**	103,655	1.47	(16,365)	(15.79)
General and other cargoes	**128,861**	**1.87**	176,418	2.51	(47,557)	(26.96)
Others	**121,391**	**1.77**	113,399	1.61	7,992	7.05
Total	**6,876,632**	**100.00**	7,032,668	100.00	(156,036)	(2.22)

(2) Operating Cost

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

During the Year, the operating cost of the Group amounted to RMB4,019,047 thousand, representing a decrease of RMB508,338 thousand or 11.23% as compared with the operating cost of RMB4,527,385 thousand in 2017. The decrease was mainly attributable to the year-on-year decrease in the labour cost and maintenance expenses of the Group and the fact that the environmental protection and sewage charges were no longer included in the operating cost after being replaced with environmental protection tax in 2018.

(3) Gross Profit Margin

During the Year, the gross profit of the Group amounted to RMB2,857,585 thousand, representing an increase of RMB352,302 thousand or 14.06% as compared with the gross profit of RMB2,505,283 thousand in 2017. The gross profit margin of the Group was 41.56% for the Year, representing an increase of 5.94 percentage points as compared with 35.62% in 2017. Such increase was mainly due to the fact that the year-on-year decrease in operating cost was greater than the year-on-year decrease in revenue.

(4) Segment Analysis (Business Review)

During the Year, the Group achieved a total cargo throughput of 382.38 million tonnes, representing an increase of 1.75 million tonnes or 0.46%, as compared with the throughput of 380.63 million tonnes in 2017. The throughputs generated from each of the ports which we operate are as follows:

	For the year ended 31 December					
	2018		2017			
	Throughput (million tonnes)	**Percentage of total throughput (%)**	Throughput (million tonnes)	Percentage of total throughput (%)	Increase/ (decrease) (million tonnes)	Increase/ (decrease) (%)
Qinhuangdao Port	**222.05**	**58.07**	237.73	62.46	(15.68)	(6.60)
Caofeidian Port	**96.88**	**25.34**	77.12	20.26	19.76	25.62
Huanghua Port	**63.45**	**16.59**	65.78	17.28	(2.33)	(3.54)
Total	**382.38**	**100.00**	380.63	100.00	1.75	0.46

During the Year, the Group achieved a cargo throughput of 222.05 million tonnes in Qinhuangdao Port, representing a decrease of 15.68 million tonnes or 6.60% from 237.73 million tonnes for 2017.The decrease was mainly due to the decreased coal cargo throughput of the Group as a result of the demand for thermal coal in the south and horizontal competition among neighboring ports.

The Group achieved a cargo throughput of 96.88 million tonnes in Caofeidian Port, representing an increase of 19.76 million tonnes or 25.62% from 77.12 million tonnes for 2017. The increase was mainly due to the significant increase in coal throughput of Caofeidian Coal Port, a subsidiary of the Company, which was included in the statistics of total throughput.

The Group achieved a cargo throughput of 63.45 million tonnes in Huanghua Port, representing a decrease of 2.33 million tonnes or 3.54% from 65.78 million tonnes for 2017. The decrease was mainly due to the decreased throughput of Huanghua Port with the impact of strengthened environmental pressure and transportation structure adjustment, and the Group has taken various measures to ensure smooth operation. Under the background of the ban on "truck transportation of coal", the Group continued to actively develop the cargo sources of "rail transportation of coal" and coordinated the resources of all parties to work in the rail transportation of coal and coal products.

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

	For the year ended 31 December					
	2018		2017			
	Throughput (million tonnes)	**Percentage of total throughput (%)**	Throughput (million tonnes)	Percentage of total throughput (%)	Increase/ (decrease) (million tonnes)	Increase/ (decrease) (%)
Coal	**244.22**	**63.87**	233.40	61.32	10.82	4.64
Metal ore	**105.46**	**27.58**	119.06	31.28	(13.60)	(11.42)
Oil and liquefied chemicals	**2.52**	**0.66**	3.15	0.83	(0.63)	(20.00)
Container	**19.11**	**5.00**	15.93	4.18	3.18	19.96
General and other cargoes	**11.07**	**2.89**	9.09	2.39	1.98	21.78
Total	**382.38**	**100.00**	380.63	100.00	1.75	0.46

(i) Dry bulk cargoes handling services

During the Year, the Group achieved a total coal throughput of 244.22 million tonnes, representing an increase of 10.82 million tonnes or 4.64% from 233.40 million tonnes for 2017. Such increase was mainly due to the significant increase in coal throughput of Caofeidian Coal Port, a subsidiary of the Group, which was included in the statistics of total throughput.

During the Year, the Group achieved a total metal ores throughput of 105.46 million tonnes, representing a decrease of 13.60 million tonnes or 11.42% from 119.06 million tonnes for 2017. Such decrease was mainly due to the environmental protection policies affected the demand for iron ore of iron and steel enterprises in the hinterland to a certain extent, and the difficulties such as cargo sources competition from other ports.

(ii) Oil and liquefied chemicals handling services

During the Year, the Group recorded a total oil and liquefied chemicals throughput of 2.52 million tonnes, representing a decrease of 0.63 million tonnes or 20.00% from 3.15 million tonnes for 2017. The decrease was mainly due to the fact that the Group's cargoes source was affected by the production suspension for overhaul of asphalt plants in the hinterland and the decrease in production volume of offshore crude oil.

(iii) Container service

During the Year, the Group recorded a total container throughput of 1,300,436 TEU, equivalent to a throughput of 19.11 million tonnes, representing increases in the number of containers handled and throughput of 87,520 TEU and 3.18 million tonnes, respectively, (i.e. 7.22% and 19.96%, respectively) as compared with the number of containers handled and throughput of 1,212,916 TEU and 15.93 million tonnes for 2017 respectively. The increase was mainly due to the Group cooperated with railway and shipping companies in market development to further expand the cargoes sources of "dry bulk & general cargoes to containers", developed cargo sources from the hinterland, and continued to do a good job in the coal lump sea-rail freight trains and expand the cross-border sea-rail multimodal transport business.

(iv) General cargoes handling services

During the Year, the Group recorded a total throughput of general and other cargoes of 11.07 million tonnes, representing an increase of 1.98 million tonnes or 21.78% from 9.09 million tonnes for 2017. The increase was mainly due to the Group increased its efforts in cargo collection and market development, and strived to undertake new cargo sources; actively captured market information by carefully combing and developing the cargo sources from the hinterland to lay a solid foundation for subsequent efforts to obtain more cargo sources; and strengthened production organization to further improve the loading and unloading efficiency.

(v) Ancillary port services and value-added services

We also provide a variety of ancillary port services and value-added services. Our ancillary port services include tugging, tallying, trans-shipping, and shipping agency services during the Year. Our value-added services mainly include towing, tallying, coal blending and tariff-free warehouse and export supervisory warehouse services. During the Year, the revenue of the Group from ancillary port services and value-added services amounted to RMB288,481 thousand, representing an increase of 9.40% as compared to the revenue from ancillary port services and value-added services of RMB263,689 thousand in 2017.

(5) Tax and Surcharges

During the Year, the tax and surcharges of the Group amounted to RMB361,645 thousand, representing an increase of RMB264,099 thousand or 270.74% as compared with RMB97,546 thousand for 2017. Such increase was mainly attributable to the fact that the environmental protection and sewage charges were included in the tax and surcharges after replacing it with environmental protection tax in 2018.

(6) Administrative Expenses and Selling Expenses

During the Year, our total administrative expenses and selling expenses amounted to RMB1,230,668 thousand, representing an increase of RMB293,044 thousand or 31.25% from RMB937,624 thousand for 2017. The increase was mainly attributable to the year-on-year increase in provision for costs on employees who leave their posts and wait for retirement.

(7) Provision for Costs on Employees who Leave Their Posts and Wait for Retirement

During the year, the Group's provision for such retiring expenses was RMB449,283 thousand, representing an increase of RMB424,544 thousand or 1,716.09% from RMB24,739 thousand for 2017, which was mainly attributable to the increase in number of employees who leave their posts and wait for retirement during the year. In order to optimize the human resources structure, improve the labour productivity and per capita profitability, reduce the inefficiency and losses of labour costs and effectively enhance the development quality and operational efficiency, the Company has optimized and adjusted the posts of some employees who meet certain conditions on a voluntary basis, and has formulated and implemented the policy of "Leaving Posts and Waiting for Retirement". The Group is obliged to pay the welfare expenses to these employees who leave their posts and wait for retirement in the next 1 to 10 years, until they reach the statutory retirement age. The salary to employee who leaves their posts and waits for retirement is determined based on a certain percentage of the average monthly salary of the previous year when the employee officially leaves their posts and waits for retirement. At the same time, the Group shall pay the basic social insurances and housing fund for these employees in accordance with local social security regulations. In accordance with the provisions of the "Accounting Standards for Business Enterprises No. 9- Employees' Remuneration", the labour costs for employees during the period from their leaving their posts and waiting for retirement to their retirement shall be charged as expenses in the year of their leaving their posts. The Group, when considering its obligation to pay the leave and retirement welfare expenses for employees who leave their posts and wait for retirement, discounted these expenses on the basis of the yield of the PRC treasury bond in the same period and included it in administrative expenses at one time.

(8) Financial Expenses

During the Year, financial expenses of the Group amounted to RMB316,206 thousand, representing a decrease of RMB40,529 thousand or 11.36% from RMB356,735 thousand for 2017. The decrease was mainly attributable to the fact that the year-on-year decrease in the amount of loans led to a decrease in interest expenses and a year-on-year increase in net foreign exchange gain.

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

Since 1 January 2018, the provisions for bad debts of receivables of the Group have been included in the items of the impairment losses of credit. During the Year, the impairment losses of the asset and the impairment losses of credit of the Group amounted to RMB52,695 thousand in total, representing an increase of RMB23,363 thousand or 79.65% as compared with RMB29,332 thousand for 2017. Such increase was mainly attributable to: 1. the losses of the provision for impairment losses on fixed assets and inventories caused by the resurrecting of mineral ores on shares and the termination of mineral ones subsidiary; 2. the recovery of accounts receivable for provision for bad debts in previous years.

(10) Other Income

During the Year, other income of the Group amounted to RMB38,531 thousand, representing a decrease of RMB36,400 thousand or 48.58% from RMB74,931 thousand for 2017. The decrease was mainly attributable to receiving benefits and employment subsidies for the corresponding period last year.

(11) Investment Income

During the Year, investment income of the Group amounted to RMB86,106 thousand, representing a decrease of RMB32,699 thousand or 27.52% from RMB118,805 thousand for 2017. The decrease was mainly attributable to the fact that: 1. the year-on-year decrease in the recognized investment income from associates and joint ventures; 2. the recognition of investment income from disposal of subsidiary, Jinji International Container Terminal Co., Ltd. for the corresponding period in 2017.

(12) Gain on Disposal of Assets and Net Non-operating Revenue and Expenses

During the Year, gain on disposal of assets and net non-operating revenue and expenses of the Group amounted to RMB18,751 thousand, representing an increase of RMB54,847 thousand or 151.95% from RMB-36,096 thousand for 2017. The increase was mainly attributable to the increase in net income from disposal and sale of assets.

(13) Income Tax Expense

Income tax expense of the Group increased by RMB5,946 thousand to RMB334,513 thousand for the Year from RMB328,567 thousand for 2017, the effective income tax rate of the Group increased to 32.53% for the Year from 26.72% for 2017, which was mainly due to the effect of the decrease in the total profit and the increase in the deductible losses unrecognized and deductible temporary differences unrecognized.

(14) Net Profit

Net profit of the Group for the Year amounted to RMB693,672 thousand, representing a decrease of RMB207,542 thousand or 23.03% from RMB901,214 thousand for 2017. Our net profit attributable to owners of the parent for the Year amounted to RMB810,263 thousand, representing a decrease of RMB152,708 thousand or 15.86% from RMB962,971 thousand for 2017.

During the Year, net profit margin of the Group was 10.09%, representing a decrease of 2.72 percentage points from 12.81% for 2017.

(15) Earning Per Share

Earnings per Share are calculated by dividing the net profit attributable to owners of the parent for the Year by the weighted average number of ordinary Shares in issue during the Year. Earnings per Share of the Group for the Year amounted to RMB0.15, representing a decrease of 16.67% from RMB0.18 for 2017. Please refer to Note V - 49 to the financial statements for the calculation of earnings per Share.

(16) Capital Structure, Cash Flows and Financial Resources

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

During the Year, net cash flows generated from operating activities amounted to RMB2,697,203 thousand, representing a decrease of RMB206,045 thousand or 7.10% as compared with the net cash inflows in 2017 (RMB2,903,248 thousand). Such decrease was mainly resulted from the decrease in revenue and the increase in the tax paid.

During the Year, net cash flows generated from investing activities amounted to RMB-70,421 thousand, representing an increase of RMB1,616,117 thousand or 95.82% as compared with RMB-1,686,538 thousand in 2017. Such increase was mainly resulted from the year-on-year decrease in the payment of the projects and additional investment on joint and associate ventures.

During the Year, net cash flows generated from financing activities amounted to RMB-1,647,966 thousand, representing a decrease of RMB296,359 thousand as compared with RMB-1,351,607 thousand in 2017. Such decrease was mainly resulted from the combined effect of the year-on-year net decrease in bank borrowings and the year-on-year increase in funds raised from the issuance of A Shares and distribution of dividends for the last year.

Due to the above reasons, as at 31 December 2018, the Group held a balance of cash and cash equivalents of RMB1,984,474 thousand, representing an increase of RMB985,327 thousand or 98.62% from RMB999,147 thousand as at 31 December 2017.

As at 31 December 2018, the gearing ratio (total liabilities divided by total assets) of the Group was 42.26%, decreased by 1.21 percentage points as compared with the gearing ratio of 43.47% as at 31 December 2017. Such decrease was mainly due to the increase in the repayment of loans for the Year.

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Net cash flow generated from operating activities	**2,697,203**	2,903,248
Net cash flow generated from investing activities	**-70,421**	-1,686,538
Net cash flow generated from financing activities	**-1,647,966**	-1,351,607
Net increase in cash and cash equivalents	**985,327**	-150,659
Cash and cash equivalents at the beginning of year	**999,147**	1,149,806
Cash and cash equivalents at the end of year	**1,984,474**	999,147

(17) Exchange Rate Risks

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

(18) Bank Loans and Other Borrowings

As at 31 December 2018, the details of the Group's bank loans and other borrowings are set out in Notes V-16 and 24 to the financial statements of this report.

(19) Pledge of Assets and Contingent Liabilities

The Group has no pledge of assets or contingent liabilities during the Year.

(20) Capital Commitment

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

(21) Management of Working Capital

	31 December 2018	31 December 2017
Current ratio	**0.85**	0.70
Quick ratio	**0.77**	0.59
Turnover days of trade receivables	**4.02**	6.05
Turnover days of trade payables	**17.29**	12.94

As at 31 December 2018, the Group's current ratio and quick ratio were 0.85 and 0.77, respectively, representing an increase as compared with the current ratio of 0.70 and quick ratio of 0.59 as at 31 December 2017. The turnover days of trade receivables for the Year was 4.02 days and the turnover days of trade payables was 17.29 days, representing a decrease of 2.03 days as compared with (6.05 days) in 2017 and an increase of 4.35 days as compared with (12.94 days) in 2017, respectively. Expect for the turnover days of trade receivables, all indicators above have improved compared with those of 2017, and the turnover days of trade receivables are significantly better than the average level in the industry.

(22) Overview of Major Investment, Acquisition and Disposal

During the Year, the Group made the following major acquisitions or investments in its subsidiaries or associated companies:

(a) The Company intends to increase its capital contribution (the "Capital Increase") to Cangzhou Crude Oil Stevedoring Co. by instalment with the cap amount of RMB551 million. The specific timing and scale of the contribution will be determined in the shareholders' general meeting of Cangzhou Crude Oil Stevedoring Co. with reference to the progress of the crude oil terminal project in the bulk cargo area of Huanghua Port. It is expected that the Company will continue to hold 65% of shareholding of Cangzhou Crude Oil Stevedoring Co. upon the Capital Increase. The Company increased its capital contribution by RMB45,500,000 to Cangzhou Crude Oil Stevedoring Co. during the Year. The Company will make further announcements on the progress and development of the Capital Increase in Cangzhou Crude Oil Stevedoring Co. in due course in accordance with the requirements of relevant laws and regulations (including the Listing Rules) and fulfill the necessary compliance requirements. For details of the transaction, please refer to the announcement of the Company dated 29 March.

(b) On 19 November 2018 (after trading hours), the Company, HBIS and Cangzhou Mineral Port entered into a capital increase agreement, pursuant to which the Company has agreed to contribute RMB818,812,300 in cash on its own to Cangzhou Mineral Port, while HBIS has agreed to waive its rights of pre-emption. Following the Cangzhou Mineral Port Capital Increase, the Company and HBIS will hold 98.895% and 1.105% equity interests of Cangzhou Mineral Port, respectively. Of the total contribution of RMB818,812,300 to be made by the Company, RMB755,348,200 will be used as the registered capital of Cangzhou Mineral Port, and RMB63,464,100 as its capital reserve.

Save as disclosed above, the Company did not have any other major investment, acquisition or disposal during the Year.

(III) Major Risk Factors

The Group's business is subject to certain risks, which is broadly divided into (i) risks relating to the Group's business and our industry, which mainly include the decrease in domestic coal consumption, substitution of domestic coal by imported coal and competition from nearby ports and other port operators; and (ii) risks relating to business operation in the PRC, which mainly include the material and adverse effect on the Group's business from the changes in the economic, political or social conditions in the PRC and policies adopted by the PRC government. In 2018, the Group assessed and controlled the risks within a reasonable range in order to ensure the achievement of the Company's development target.

The Board has been directly responsible for the risk control of the Company and is also responsible for the establishment of an effective risk control environment which is in compliance with the laws and regulations. The Board is responsible for developing the Company's overall risk control objectives, risk control policies and internal control system, improving the Company's governance structure and tiered authority delegation system, and setting objectives for specific risk control activities.

In order to improve the risk management system, the audit committee of the Board has been responsible for monitoring and evaluating risk management and internal control system of the Company, reviewing the sufficiency of the Company's internal resources, employees' qualification, experience and training, and conducting research and study on matters related to risk management and internal control and reporting to the Board in this regard.

(IV) Environmental Policies and Performance

The Company has a relatively comprehensive environmental protection system in place covering various aspects such as environment management, pollutant monitoring and environmental protection assessment, which is an important basis for conducting environmental management.

The Company has a comprehensive pollution prevention and treatment system which includes dust prevention, controlling and removing system for dust from coal, mine and grain; desulfurization and dust removal device for boiler; and various kinds of wastewater treatment facilities. All the operation processes such as belt transmission, dumping, stacking, reclaiming and loading are equipped with a large number of sprinkling devices and dust removing devices as well as mobile sprinklers and dust collecting cars to ensure a clean environment in port areas.

The Company attaches great importance to environmental protection and invests into the construction and upgrade of pollution treatment and environmental protection facilities with an aim to continuously improve and enhance the regional environment quality.

The Group has not emitted any sulphur dioxide or nitrogen oxide since 2018, which reflected that significant progress had been achieved in reduction of pollutant emission.

Further details of this section are set out in the environmental, social and governance report for 2018 issued by the Company in accordance with the requirements of Appendix 27 of the Listing Rules.

(V) Compliance with Laws and Regulations

The Company recognizes the importance of compliance with regulatory requirements and the risk of termination of operating licenses for non-compliance. The Company has been allocating system and staff resources to ensure continuing compliance with rules and regulations and to maintain cordial working relationships with regulators through effective communications. During the year ended 31 December 2018, to the best knowledge of the Directors, the Company has complied with the Company Law of the PRC, the Securities Law of the PRC, the Special Provisions of the State Council of the PRC for Share Offerings and Offshore Public Listing of Companies Limited by Share (《中華人民共和國國務院〈關於股份有限公司境外募集股份及上市的特別規定〉》), the Port Law of the PRC (《中華人民共和國港口法》), the Securities and Futures Ordinance, the Listing Rules and other relevant rules and regulations.

(VI) Relationships with Employees, Customers and Suppliers

Our results and sustainable development is materially affected by the Group's relationships with its employees, customers and suppliers. As such, the Group commits to maintaining good relationships with its employees, customers and suppliers.

The Group highly values human resources management, offers competitive remuneration package and benefits not less favorable than those in the same territory and same industry and provides various training opportunities which meet the employees' working requirement and needs for long-term development in order to help the employees expand the career path and formulate career plans, thereby continuously optimizing human resources allocation and improving the human resources efficiency.

(VII) Prospects

In the coming years, the Group will firmly grasp major development opportunities arising from Beijing-Tianjin-Hebei coordinated development, One Belt One Road initiative and construction of Xiong'an New Area through adopting multiple measures to enhance profitability and sustainable development capacity. These measures mainly include: maintain the advantage in coal business, expand the metal ores business and develop a globally leading position in dry bulk business; achieve rapid growth in general cargoes and container businesses and keep up with the development of advanced ports in the Bohai Rim; establish a regional oil distribution centre and proactively plan the layout of LNG business. The Group will continue to implement the cross-harbour development strategy, expand the port services functions and promote international development; extend the logistics services system and improve the capital operation ability to support the transformation and upgrade of ports; accelerate the infrastructure construction, continue to enhance the level of technology and equipment, devote greater effort in technical innovation, propel the deep integration between Internet and business operations and promote the new and old kinetic energy conversion; strengthen the recognition on "talent thriving enterprise" and optimize the human resource structure; improve the quality of information services and build an intelligent harbour so as to achieve leap-forward development of the Company.

The business prospects of the Group in 2019 are as follows:

Coal business

From the macroscopic perspective, China's economy is still facing unabated internal and external pressures with downturn risks, policy of achieving stable growth and safeguarding against risk will be implemented and the development trend of economy to grow in a sound manner in the long run maintains the same. In 2019, production volume of raw coal in China is expected to maintain its growth momentum and effective supply quality of coal will continue to improve. Overall electricity consumption boasts a growth rate of around 5.5%. In 2019, the market sentiment of coal industry in China will be relatively stable and has a promising outlook. The coal throughput of the Group is expected to achieve a moderate increase.

Metal ores business

It is expected that import demand for ores of steelworks in economic hinterland of the Group will remain stable. The Group will continue to develop ore trading cargo sources in economic hinterland vigorously and attend to ore mixing business. Meanwhile, the Group will do the transformation works from road haulage to rail-freight transport well and devote greater effort in train transportation.

Oil business

The Group will increase the efforts in cargo canvassing, closely monitor the market, carry out onsite visit to relevant business units and perform research work related to cargo sources such as LNG. The Group will endeavor to develop cargo sources, conduct research about the transshipment business of foreign trade of oil and put "customs supervised storage tanks" into use as early as possible. We search for growth and strive to reach the break-even point of oil.

Container business

The Group will take full advantage of the opportune time when China is taking the coordinated development of Beijing-Tianjin-Hebei integration strategy forward and Hebei province vigorously develops container business to cooperate with railway and shipping companies in market development. While we are deep ploughing local market, we also tease out and conduct research about cargo sources, such as coal lump, sodium hydroxide and PVC in remote economic hinterland, and further increase the cargoes sources of "dry bulk & general cargoes to containers". We will further expand the multimodal transportation businesses including sea-rail intermodal transportation and cross-border sea-rail transportation of coal lump.

General cargoes business

The Group will devote greater effort in cargo canvassing and market development, striving to attract new customers. We will gain understanding about demand of upstream and downstream markets and the customers as well as the cargo sources condition in order to draw on comparative strengths in service quality and maintain the existing market shares while achieving growth.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company during the period from 1 January 2018 to 31 December 2018.

Corporate Governance

The Group is committed to maintaining high level of corporate governance. The Board is responsible for the implementation of corporate governance, including: (a) formulating, developing and reviewing the corporate governance policies and practices of the Company; (b) reviewing and supervising the training and continuous professional development of the Directors and senior management; (c) reviewing and supervising the policies and practices for the compliance of laws and regulatory requirements by the Company; (d) developing, reviewing and supervising the code of conduct and compliance manual, if any, for employees and the Directors; and (e) reviewing the compliance of the Corporate Governance Code by the Company and the disclosure in the corporate governance report. In the past year, actions and measures were taken by the Board to improve the corporate governance gradually and further strengthen the construction of the Company's corporate governance system. The Board believes that an effective corporate governance system can safeguard the interests of the Shareholders and promote the value and accountability of the Company.

The Company has adopted the code provisions of the Corporate Governance Code which were applicable to the Company during the Year. Save for the deviations disclosed in this report with reasons explained for the deviations, the Company has complied with the code provisions set out in the Corporate Governance Code during the Year.

The Board will continue to review and improve its corporate governance system to ensure the compliance of the Corporate Governance Code.

Board

Duties and Division Responsibility

The Board shall act in the interests of all the Shareholders and shall be accountable to the general meeting. The Board shall mainly be responsible for: implementing the resolutions of the general meeting; determining the operation plan and investment program of the Company; formulating the annual financial budget plan and final accounting plan of the Company; formulating the profit distribution plan of the Company; determining the establishment of internal management bodies and formulating the basic management system of the Company. The Company has established four special committees under the Board to oversee specific matters of the Company, namely the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy Committee. The Board has delegated relevant duties to the respective committees, which are contained in the terms of reference of the relevant committees. Besides, the management of the Company will provide sufficient consultation to the Board and the Board committees when appropriate to facilitate the Directors in making informed decision.

CORPORATE GOVERNANCE REPORT

Chairman of the Board and Chief Executive Officer

The Board is responsible for decision making on important matters of the Company and the management is authorized to manage the daily operation of the Company. The Company has the position of President. During the Year, Mr. Cao Ziyu and Mr. Yang Wensheng are the chairman of the Board and President of the Company, respectively. The chairman of the Board and the President of the Company have clear division of duties. The chairman of the Board shall oversee the work of the Board and monitor the implementation of the resolutions adopted by the Board and the President shall coordinate the operation of the business of the Company under the supervision of the Board. Therefore, the Company has complied with Code A.2.1 of the Corporate Governance Code. Save as disclosed in the section "Biographical Details of Directors, Supervisors and Senior Management" in this annual report, there is no financial, business, family or other important relationship between the Directors, the chairman of the Board and the Chief Executive Officer.

Composition of the Board

During the Year, the Board comprised 11 Directors, including four executive Directors, Mr. Cao Ziyu (Chairman), Mr. Yang Wensheng (President), Mr. Wang Lubiao and Mr. Ma Xiping, three non-executive Directors, Mr. Liu Guanghai (vice Chairman), Mr. Li Jianping and Ms. Xiao Xiang, and four independent non-executive Directors, Ms. Zang Xiuqing, Mr. Hou Shujun, Mr. Chen Ruihua and Mr. Xiao Zuhe. The particulars of the Directors are set out in the section "Biographical Details of Directors, Supervisors and Senior Management" in this report.

During the Year, the Board had complied with the requirement of Rules 3.10(1) and 3.10(2) of the Listing Rules to have not less than three independent non-executive Directors, including at least an independent non-executive Director who has the relevant professional qualification or is an expert in accounting or financial management. Besides, in accordance with Rule 3.10A of the Listing Rules, not less than one third of the Directors shall be independent non-executive Directors. The Company currently have and had four independent non-executive Directors during the Year, representing four-eleventh of the total number of Directors and was in compliance with relevant requirement.

In accordance with the Articles of Association, the Directors (including non-executive Directors) shall have a term of office of three years from the date of passing the resolution of the Shareholders' general meeting till the expiration of term of office of the Board. The Directors are eligible for re-election upon the expiration of term of office, provided that no independent non-executive Director shall serve consecutive terms for more than six years.

Positions in Other Companies Held by Directors

Save as otherwise disclosed in this annual report, none of the Directors hold any directorship in other listed companies.

Time Commitment of Directors

In addition to attending formal meetings, the Directors shall also review reports of the management and regular reports of the Company, inspect the operation of the Company and understand all matters of the Company through various channels so as to effectively perform their duties. After making particular enquiries, the Board is of the view that the Directors have devoted sufficient time and efforts to perform their duties.

Training and Professional Development of Directors

During the Year, all Directors have received trainings in the written form or by participating in seminars. The trainings were mainly about (i) the obligations of compliance with the Listing Rules by the directors, supervisors and senior management of companies listed in Hong Kong; and (ii) the compliance requirement for connected transaction of listed companies under the Listing Rules.

The Directors will be updated with the latest developments in legal and regulatory requirements and the operation of the Company to facilitate the performance of their duties. Training will also be provided for the Directors when necessary to ensure that the Directors understand the business and operation of the Group and their duties and obligations under the Listing Rules and the applicable laws and regulations.

Meetings of the Board

According to the Articles of Association, the Board shall conduct at least four regular meetings per year, i.e. a meeting in each quarter. Written notice of regular Board meetings shall be delivered to all Directors and Supervisors 14 days before the meeting. Written notice of ad hoc Board meetings shall be delivered three days before the meeting. Notice of meeting shall contain the date, venue and duration of the meeting, matters and resolutions to be considered and the date of the notice. Unless otherwise specified by the Articles of Association, more than half of the number of Directors shall form a quorum of a Board meeting. A Director who is unable to attend Board meeting may appoint another Director to attend on his behalf as a proxy by a power of attorney which shall contain the name and capacity of the proxy and the scope and duration of the appointment. No Director shall vote on any resolution for himself or on behalf of other Directors if he has interest in the parties or matters in relation to the resolution. An ad hoc Board meeting may be conducted by video conferencing, telephone conferencing and by written resolution. Any Director who fails to attend a Board meeting in person or by proxy shall be deemed to have waived his voting rights. The Board shall prepare minutes of Board meetings to record the matters resolved. The minutes shall be initialed by all Directors who have attended the meeting and the person who has prepared the minutes.

All Directors are provided with all relevant information of matters to be discussed in the Board meetings in a timely manner, and they may seek independent professional advice and services from the company secretary and senior management of the Company. Upon reasonable request to the Board, the Directors may seek independent professional advice, as and when necessary, at the Company's expenses.

During the Year, Directors convened eleven regular meetings on 29 March 2018, 26 April 2018, 30 May 2018, 20 June 2018, 29 August 2018, 28 September 2018, 29 October 2018, 12 November 2018, 30 November 2018 and 20 December 2018, respectively, at which resolutions regarding the 2017 annual results and the 2018 interim results were considered.

The attendance record of Directors at the Board meetings convened during the Year is as follows:

Name	Number of meetings attended/ Number of meetings held during Directors' term of office	Number of meetings attended by entrusting other Directors	Attendance rate
Executive Directors			
– Cao Ziyu *(Chairman)*	10/11	1	91%
– Yang Wensheng	11/11	0	100%
– Wang Lubiao	10/11	1	91%
– Ma Xiping	11/11	0	100%
Non-executive Directors			
– Liu Guanghai (appointed as a Non-executive Director of the Company on 20 December 2018)	1/1	0	100%
– Li Jianping	11/11	0	100%
– Mi Xianwei (resigned as a Non-executive Director of the Company on 20 June 2018)	1/3	2	33%
– Xiao Xiang (appointed as a Non-executive Director of the Company on 20 June 2018)	7/8	1	88%
Independent Non-executive Directors			
– Li Man Choi (resigned as an Independent Non-executive Director of the Company on 20 June 2018)	3/3	0	100%
– Zhao Zhen (resigned as an Independent Non-executive Director of the Company on 20 June 2018)	3/3	0	100%
– Zang Xiuqing	11/11	0	100%
– Hou Shujun	10/11	1	91%
– Chen Ruihua (appointed as an Independent Non-executive Director of the Company on 20 June 2018)	7/8	1	88%
– Xiao Zuhe (appointed as an Independent Non-executive Director of the Company on 20 June 2018)	8/8	0	100%

During the Year, the Company held 2 general meetings. The attendance record of Directors at the general meetings during the Year is as follows:

Name	Number of meetings attended/Number of meetings held during Directors' term of office	Attendance rate
Executive Directors		
– Cao Ziyu *(Chairman)*	2/2	100%
– Yang Wensheng	1/2	50%
– Wang Lubiao	1/2	50%
– Ma Xiping	2/2	50%
Non-executive Directors		
– Liu Guanghai		
(appointed as a Non-executive Director of the Company on 20 December 2018)	–	–
– Li Jianping	2/2	100%
– Mi Xianwei		
(resigned as a Non-executive Director of the Company on 20 June 2018)	0/1	0%
– Xiao Xiang		
(appointed as a Non-executive Director of the Company on 20 June 2018)	1/1	100%
Independent Non-executive Directors		
– Li Man Choi		
(resigned as an Independent Non-executive Director of the Company on 20 June 2018)	0/1	0%
– Zhao Zhen		
(resigned as an Independent Non-executive Director of the Company on 20 June 2018)	0/1	0%
– Zang Xiuqing	2/2	100%
– Hou Shujun	1/2	50%
– Chen Ruihua		
(appointed as an Independent Non-executive Director of the Company on 20 June 2018)	1/1	100%
– Xiao Zuhe		
(appointed as an Independent Non-executive Director of the Company on 20 June 2018)	0/1	0%

Board Committees

The Board has four committees, namely the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy Committee.

During the Year, the attendance record of Directors at each Board committee is as follows:

Name	Number of meetings attended/Number of meetings held during Directors' term of office Audit Committee	Remuneration and Appraisal Committee	Nomination Committee	Strategy Committee
Executive Directors				
– Cao Ziyu *(Chairman)*	–	–	–	–
– Yang Wensheng	–	1/1	–	–
– Wang Lubiao	–	–	–	–
– Ma Xiping	–	–	–	–
Non-executive Directors				
– Liu Guanghai (appointed as a Non-executive Director of the Company on 20 December 2018)	–	–	–	–
– Li Jianping	–	–	3/3	–
– Mi Xianwei (resigned as a Non-executive Director of the Company on 20 June 2018)	1/2	–	–	–
– Xiao Xiang (appointed as a Non-executive Director of the Company on 20 June 2018)	4/5	–	–	–
Independent Non-executive Directors				
– Li Man Choi (resigned as an Independent Non-executive Director of the Company on 20 June 2018)	2/2	–	–	–
– Zhao Zhen (resigned as an Independent Non-executive Director of the Company on 20 June 2018)	–	–	2/2	–
– Zang Xiuqing	7/7	1/1	3/3	–
– Hou Shujun	–	1/1	–	–
– Chen Ruihua (appointed as an Independent Non-executive Director of the Company on 20 June 2018)	–	–	1/1	–
– Xiao Zuhe (appointed as an Independent Non-executive Director of the Company on 20 June 2018)	5/5	–	–	–

Audit Committee

The major responsibilities of the Audit Committee are (1) to propose the appointment, re-appointment or termination of external auditing firm; (2) to review and supervise the independence and objectiveness of the external auditors and the effectiveness of the audit process in accordance with applicable standards; (3) to review the financial information of the Company and its disclosure; (4) to supervise the financial reporting system of the Company and the internal control systems; and (5) to improve the communication between internal auditors and external auditors. The terms of reference of the Audit Committee are posted on the websites of the Company and the Stock Exchange.

The Audit Committee comprises three Directors, including Ms. Zang Xiuqing, Mr. Xiao Zuhe and Ms. Xiao Xiang. Ms. Zang Xiuqing, the independent non-executive Director, acts as chairman of the committee. All members of the Audit Committee are non-executive Directors and Ms. Zang Xiuqing and Mr. Xiao Zuhe are independent non-executive Directors.

During the Year, the Audit Committee convened 7 meetings totally to review the financial results of the Group for the year ended 31 December 2017 and for the six months ended 30 June 2018, internal control assessment report, accounting firm audit (review) Programme and Progress and other resolutions before the same were submitted to the Board.

The Audit Committee has reviewed and confirmed the audited consolidated financial statements in this annual report and has discussed with the management on the financial statements and the internal control of the Company. The Audit Committee is of the view that these financial statements are prepared in accordance with the applicable accounting standards and requirements and the disclosure is adequate.

Remuneration and Appraisal Committee

The major responsibilities of the Remuneration and Appraisal Committee are (1) to review the remuneration packages and policies of all Directors and senior management and propose a formal and transparent remuneration policy determination procedure for approval by the Board; (2) to review the policy and structure of the remuneration of Directors, Supervisors and senior management (including non-monetary benefits, pension and allowance) and the procedure of the determination of remuneration policy and to make recommendations to the Board on a formal and transparent remuneration policy determination procedure; (3) to propose to the Board on the remuneration of non-executive Directors; (4) to review and approve the compensation for Directors who are dismissed or removed due to misconduct so as to ensure that the compensation is in compliance with the contract terms or reasonable and appropriate if not in compliance with the contract terms; and (5) to monitor the implementation of the remuneration policy for Directors, Supervisors and senior management. The terms of reference of the Remuneration and Appraisal Committee are posted on the websites of the Company and the Stock Exchange.

The Remuneration and Appraisal Committee comprises three Directors, including independent non-executive Directors Mr. Hou Shujun and Ms. Zang Xiuqing, and executive Director Mr. Yang Wensheng. Independent non-executive Directors represent a majority in the committee. Mr. Hou Shujun, an independent non-executive Director, acts as chairman of the committee.

During the Year, the Remuneration and Appraisal Committee convened one meeting on 28 March 2018 to discuss on the remuneration of the Directors and senior management.

In accordance with paragraph B.1.5 of the Corporate Governance Code, the remunerations of the senior management by remuneration band for the year ended 31 December 2018 are set out below:

No. (notes)	Remuneration band (RMB)	Numbers of persons
1	0 – 500,000	15
2	500,001 – 1,000,000	8
3	1,000,001 – 1,500,000	0

Notes:

No.1 includes 11 Directors and 4 Supervisors and 0 member of the senior management;
No.2 includes 3 Directors, 2 Supervisors and 3 members of the senior management; and
No.3 includes 0 Director, 0 Supervisor and 0 member of the senior management.

Further details of the remunerations of the Directors and the five highest-paid employees as required under Appendix 16 to the Listing Rules are disclosed in Note XIII. 3 to 4 to the financial statements for the Year.

Nomination Committee

The major responsibilities of the Nomination Committee are (1) to review the criteria and procedure for selection of Directors and senior management, and the structure, number of members, composition and diversification (including but not limited to gender, age, cultural and educational background, professional experience, skill, knowledge and term of office) of the Board or senior management once a year and to propose changes to the Board or senior management for implementation of the Company's strategy; (2) to identify, select and nominate candidates for Director or senior management for approval by the Board or to advise the Board on the selection of Director candidates. The committee shall consider the merits and assessable quality of the candidates and the diversification of the Board and the senior management; (3) to advise the Board on the appointment, re-appointment and succession of Directors and senior management on consideration of the strategy of the Company and the skill, knowledge, experience and diversification requirements; (4) to review the Diversified Membership Policy of the Board and assess the effectiveness and progress of its implementation and to disclose in the annual corporate governance report; (5) to review the independence of the independent non-executive Directors; and (6) to perform other duties delegated by the Board. The terms of reference of the Nomination Committee are posted on the websites of the Company and the Stock Exchange.

The Nomination Committee comprises three Directors, including independent non-executive Directors Mr. Chen Ruihua and Ms. Zang Xiuqing, and non-executive Director Mr. Li Jianping during the Year. The independent non-executive Directors represent a majority in the committee. Mr. Chen Ruihua, an independent non-executive Director, acts as chairman of the committee.

During the Year, the Nomination Committee has mainly performed the following work: to assess and advise the Board on suitability of the nominees who was nominated as the Directors, Supervisors and senior management of the Company during the Year, and review the composition of the Board in accordance with the requirement of the Diversified Membership Policy of the Board.

During the Year, the Nomination Committee held three meetings on 28 March, 25 April and 19 July 2018 to finish the work above.

Strategy Committee

The major responsibilities of the Strategy Committee are (1) to research and advise on the long-term development strategy of the Company; (2) to review and advise on major investment and financing plans to be approved by the Board as required by the Articles of Association; (3) to review and advise on major capital operation and asset operation to be approved by the Board as required by the Articles of Association; (4) to review and advise on other significant matters affecting the development of the Company; (5) to inspect the implementation of the above matters; and (6) to perform other duties delegated by the Board. The terms of reference of the Strategy Committee are posted on the websites of the Company and the Stock Exchange.

The Strategy Committee comprises five Directors, the members of the Strategy Committee included two executive Directors, one non-executive Director and two independent non-executive Directors, namely Mr. Cao Ziyu, chairman of the Board, Mr. Yang Wensheng, President, Ms. Xiao Xiang, Mr. Hou Shujun and Mr. Chen Ruihua. Mr. Cao Ziyu, chairman of the Board, acts as chairman of the committee.

Diversification of the Board

In accordance with the requirement of the Listing Rules, the Board has formulated and adopted the Diversified Membership Policy of the Board. The Nomination Committee has reviewed the composition of the Board in accordance with the Listing Rules and concluded that the composition of the Board is in compliance with the diversification requirements of the Listing Rules in terms of age, education background, industry experience, geographical location and duration of service. Members of the Board are set out in the following table:

Name	Age	Gender	Education	Industry Experience	Location	Duration of service (since)
Executive Directors						
– Cao Ziyu *(Chairman)*	53	Male	University graduate	Management	Hebei, China	June 2018
– Yang Wensheng	50	Male	University graduate	Port Operation	Hebei, China	June 2018
– Wang Lubiao	56	Male	Master	Port Operation	Hebei, China	June 2018
– Ma Xiping	51	Male	Master	Port Operation	Hebei, China	June 2018
Non-executive Directors						
– Liu Guanghai	59	Male	Master	Port Operation	Hebei, China	December 2018
– Li Jianping	57	Male	Master	Port Investment	Hebei, China	June 2018
– Mi Xianwei (resigned as a Non-executive Director of the Company on 20 June 2018)	54	Male	Master	Construction Investment	Hebei, China	June 2015
– Xiao Xiang (appointed as a Non-executive Director of the Company on 20 June 2018)	46	Female	Master	Construction Investment	Hebei, China	June 2018
Independent Non-executive Directors						
– Li Man Choi (resigned as an Independent Non-executive Director of the Company on 20 June 2018)	58	Male	Master	Accounting, Audit	Hong Kong	June 2015
– Zhao Zhen (resigned as an Independent Non-executive Director of the Company on 20 June 2018)	53	Male	Master	Law	Beijing, China	June 2015
– Zang Xiuqing	56	Female	Master	Education	Hebei, China	June 2018
– Hou Shujun	56	Male	Master	Education	Tianjin, China	June 2018
– Chen Ruihua (appointed as an Independent Non-executive Director of the Company on 20 June 2018)	45	Male	Master	Education	Tianjin, China	June 2018
– Xiao Zuhe (appointed as an Independent Non-executive Director of the Company on 20 June 2018)	53	Male	Master	Accounting, Audit	Shenzhen, China	June 2018

Director

Appointment and Re-election of Directors

Directors (including non-executive Directors and independent non-executive Directors) shall be elected by general meeting with a term of office of three years from the date of passing the resolution of the general meeting and till the expiration of term of office of the Board. The Directors are eligible for re-election upon the expiration of term of office, provided that no independent non-executive Director shall serve consecutive terms for more than six years.

The chairman and vice chairman of the Board shall be elected and removed by over half of the members of the Board, with a term of office of three years, and may be re-elected upon the expiration of term.

Each of the current Directors has entered into a service contract with the Company to be effective for three years upon approval by Shareholders subject to termination in accordance with the terms of the respective contracts.

None of the Directors has entered or proposed to enter into a service contract with any member of the Group other than those which would be expired within one year or the relevant employer could terminate within one year without the payment of compensation (except statutory compensation).

Nomination of Directors

In accordance with the Articles of Association, the candidates of Directors shall be nominated or recommended by the existing Board or in the form of proposal by the Shareholders separately or jointly holding over 3% of the shares of the Company. The Board shall verify the qualifications and conditions of the candidates of Directors and a written resolution should be proposed at the general meeting for approval after the candidate of Director is determined by proposal.

Independence of Independent Non-executive Directors

The Company currently has four independent non-executive Directors and none of them has served as independent non-executive Director for more than six years. The number and qualification of the independent non-executive Directors are in compliance with the requirements of the Listing Rules and the Articles of Association. Their independence is highly guaranteed as none of the independent non-executive Directors has any business and financial interest in the Company or its subsidiaries and has no management function in the Company.

Each of our four independent non-executive Directors has given their written confirmation of their independence in accordance with Rule 3.13 of the Listing Rules. Having confirmed, the Board understands that all current independent non-executive Directors are independent and are in compliance with the requirement of Rule 3.13 of the Listing Rules.

Securities Transaction by Directors and Supervisors

The Company has adopted Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its code of conduct for securities transactions by the Directors and Supervisors to regulate the securities transactions of the Directors and Supervisors. After specific enquiries, all Directors and Supervisors have confirmed that they have complied with the provisions of the Model Code during the Year.

Directors' Responsibilities on Financial Statements

The Directors have the responsibility to prepare the financial statements for the year ended 31 December 2018 to give a true and fair view of the affairs of the Company and the Group and the results and cash flow of the Group.

According to Code C.1.1 of the Corporate Governance Code, the management shall provide necessary explanation and information to the Board so that the Board can have a preliminary assessment of the financial statements before they are submitted to the Board for approval. The Company will also provide monthly reports on the results, positions and prospects of the Group to all members of the Board.

Shareholders and General Meetings

Particulars of the Controlling Shareholder and the Ultimate Controlling Shareholder

The Controlling Shareholder of the Company is HPG, a state-owned company under the State-owned Assets Supervision & Administration Commission of the People's Government of Hebei Province.

The operation of the Company is independent from the Controlling Shareholder of the Company in terms of personnel, organization, assets and business. The Controlling Shareholder has not taken any action beyond its authority without approval of the Shareholders at the general meeting and has not directly or indirectly intervened the operation and decision of the Company.

Shareholdings of the substantial shareholders and details of the Non-competition Agreement and Undertaking of the Controlling Shareholder during the Year are set out in the "Report of the Board of Directors" in this report.

General Meetings

The Company is committed to ensure that all Shareholders, in particular the minority Shareholders, are treated equally and are able to exercise all their rights. Shareholders' general meeting is the highest authority of the Company and performs its duties in accordance with all applicable laws.

To safeguard the interests and rights of Shareholders, all major matters shall be proposed as separate resolutions at the general meeting for consideration in accordance with the applicable laws and the Listing Rules. The rights of Shareholders and voting procedures of the general meeting shall be contained in the relevant circular in accordance with the Articles of Association and the Listing Rules, which shall be dispatched to Shareholders within a specified period of time and shall be posted on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Company convened one annual general meeting and one extraordinary general meeting. For details of proposals and resolutions considered at the meetings, please refer to the relevant announcements posted on the websites of the Stock Exchange and the Company.

Control System

Supervisory Committee

The Supervisory Committee of the Company (the "**Supervisory Committee**") is the supervisory authority of the Company and shall be accountable to the general meeting of the Shareholders. Supervisors shall act independently to protect the legal interests of Shareholders and the Company in accordance with the laws.

The authority and duties of the Supervisory Committee include but not limited (1) to review the financial statements, business report and profit distribution plan prepared by the Board and may retain certified accountant or certified auditor to review the financial information; (2) to supervise the financial activities of the Company; (3) to demand the rectification of acts of the Directors, President and senior management which are against the interests of the Company; and (4) to exercise other power, authority and duties in accordance with the Articles of Association.

The Supervisory Committee now comprises of five members, including three Supervisors elected by the Shareholders (Mr. Meng Bo, Mr. Bu Zhouqing and Ms. BIAN Yingzi) and two Supervisors representing employees (Mr. Cao Dong and Ms. Chen Linyan). Mr. Meng Bo acts as chairman of the present Supervisory Committee. Supervisors who are representatives of the Shareholders shall be elected and removed by Shareholders' general meeting. Supervisors representing employees shall be elected and removed by employee conference, employee general meeting or other democratic procedures. Each Supervisor shall have a term of three years from the date of approval by Shareholders' general meeting or employee conference subject to termination upon expiry of the session of the Supervisory Committee. Supervisors are eligible for re-election.

Particulars of the Supervisors are set out in the section "Biographical Details of Directors, Supervisors and Senior Management" of this report.

During the Year, the Supervisory Committee convened six meetings on 29 March 2018, 26 April 2018, 20 June 2018, 29 August 2018, 29 October 2018 and 30 November 2018 respectively, at which proposals including the 2018 Work Report of the Supervisory Committee of Qinhuangdao Port Co., Ltd. was reviewed. The work of the Supervisory Committee is set out in the "Report of Supervisory Committee" in this annual report.

Internal Control and Risk Management

The Board shall have the decision on all operation matters and is committed to establishing and improving the internal control and risk management system. It shall also supervise the implementation of the risk management and internal control system to safeguard the investment of the Shareholders and the assets of the Group.

The Company has adopted a number of internal control and corporate governance measures since July 2010 to strengthen the systematic management of construction projects and other business operations for better internal control. Some major measures are as follows:

– clear division of the authorities of the general meeting of the Shareholders, the Board, the chairman of the Board and the general manager to avoid the centralization of authority;

– stringent authority delegation, division and supervision system to ensure the security and proper use of funds;

- collective decision is required for major investment and the proposal, evaluation, decision and implementation procedures are under strict control to minimize investment risks;
- invitation of non-state-owned entities to participate in major projects or services of the Group is under strict control and the Directors and senior management are prohibited to have any paid positions outside the Group;
- to promote the transparency of the management and operation through the implementation of "Three Major One Important" policy so as to prevent the Directors and senior management from fraud and bribe;
- the entire procurement procedure from application, approval, contracting, procurement, inspection and delivery and payment is improved through the improvement of purchase procedure and payment monitoring process to eliminate any loophole in procurement;
- the size, structure and sources of funding as well as the use of significant amount of fund are also under strict control to minimize finance costs and ensure the efficient use of funds; and
- there are highly regulated procedures for connected transactions to specify the preliminary appraisal by independent Directors before submitting for approval by the Board.

During the Year, the above procedures were effectively implemented. The internal control system was improved to strengthen the risk prevention and internal control capabilities. The Audit Committee has been reviewing the risk management and internal control system of the Company regularly, whilst such duties were not specified in the written terms of reference of the Audit Committee. In addition, the Audit Committee will continue to review and evaluate the effectiveness of the risk management and internal control system of the Group and to report the findings to the Board. The Board will review and evaluate the risk management and internal control system at least once a year to ensure that no material internal control loophole exists.

The Company has formulated and implemented various policies relating to information disclosure and insider information registration system. The Company has conducted regular assessment on the implementation of such systems.

A self-evaluation report has been prepared by the Board in respect of the risk management and internal control matters of the Company during the Reporting Period. The Board has reviewed the control system of the Company and is of the view that during the Reporting Period, such system was effective and the management of the Company should further perfect its risk management and internal control system to promote the improvement of its corporate governance.

Auditors and Their Remunerations

Ernst & Young Hua Ming LLP was appointed by the Company as the auditors and the internal control auditing firm of the Company for 2018. The appointments shall expire upon conclusion of the annual general meeting. The Board is authorized to determine the remuneration of the auditors which is in line with market practice. The internal control auditing expense for 2018 amounted to a total of RMB7,075,47.17.

For the year ended 31 December 2018, the fees to external auditors for interim review and annual audit services (annual audit services for subsidiaries included) were RMB4,669,811.32.

Save as disclosed above, during the Year, the Group did not pay any fee to Ernst & Young Hua Ming LLP for non-audit services. The Audit Committee is satisfied that the independence of the auditors is not affected by the non-audit services provided in 2018.

Company Secretary

Mr. Zhang Nan ("**Mr. Zhang**") became the company secretary of the Company since 12 December 2016.

Mr. Zhang joined the Company in 2002 and has more than 13 years legal and securities management related experience. He is familiar with the operation of the Board and the Company and is currently the deputy head of Securities Department of the Company.

Particulars of Mr. Zhang are set out in the section "Biographical Details of Directors, Supervisors and Senior Management" in this report.

Mr. Zhang has confirmed that he has received not less than 15 hours of relevant professional training as required by Rule 3.29 of the Listing Rules during the Year.

Shareholders' Rights and Investor Relationship

Convening of Extraordinary General Meeting

In accordance with the Articles of Association, the Shareholders of the Company may demand, convene, chair, attend or attend by proxy general meetings and exercise voting rights thereat.

Shareholders separately or jointly holding not less than 10% Shares in issue with voting rights may demand the convening of extraordinary general meeting in writing. The Company shall promptly convene such meeting after receipt of the demand. The following procedures shall be followed when Shareholders demand the convening of extraordinary general meeting or class shareholders' meeting:

(1) Shareholder(s), separately or jointly, holding in aggregate not less than 10% voting Shares of the Company may sign one or more written requests of the same format and content to demand the Board to convene extraordinary general meeting or class shareholders' meeting with explanation of the purpose of the meeting. Upon receipt of the request, the Board shall convene the extraordinary general meeting or class shareholders' meeting as soon as possible. The number of Shares held by the abovementioned Shareholders shall be based on the number of Shares as of the date on which the Shareholders put forward such written request.

(2) Where the Board fails to issue notice to convening the meeting within 30 days upon receipt of the above written request, Shareholders proposing such request may convene a meeting by their own within four months upon receipt of the request by the Board. The convening procedures shall as much as possible be equivalent to the procedures for meeting convened by the Board.

If Shareholders call and convene a meeting by themselves since the Board fails to convene the meeting in accordance with the aforesaid requirements, the reasonable expenses incurred shall be borne by the Company and be deducted from the amounts due to the Directors who shall be responsible for such dereliction of duty.

Enquiry to the Board

According to the Articles of Association, Shareholders of the Company shall have access to the Articles of Association, the personal particulars of Directors, Supervisors and senior management, minutes of Shareholders' general meetings, Board meetings, meetings of Supervisory Committee and financial statements.

Request for information, materials or enquiry to the Board shall be forwarded to the Company (contacts to whom are set out in the website of the Company). Shareholder is required to provide written proof of his/her holding of Shares in the Company (including the class and number of Shares) for verification when submitting the enquiry.

Procedures for Proposal at the General Meeting

Shareholders are entitled to make proposal(s) at the general meeting by proposing resolution or speaking at the meeting.

Shareholder(s) holding in aggregate 3% of the Shares in the Company may propose additional resolution in writing to the convener 10 days before the general meeting. Upon receipt of the proposal, the convener shall issue supplemental notice of meeting to contain the additional resolutions in two days.

Shareholders attending the general meeting are entitled to speak. Shareholders who require speaking shall make registration before voting.

Amendment of Constitutional Documents

During the Year, the Company has convened the general meeting for amendments to the Articles of Association on 20 December 2018. For details of the amendments, please refer to the relevant announcement and circular dated 19 November 2018 on the websites of the Stock Exchange and the Company.

Communication with Investors and Investor Relationship

The Company has established an Investor Relationship Management System to strengthen and regulate the communication between the Company and its investors and potential investors so as to enhance the understanding and recognition of the Company by the investors. The system is also part of the corporate governance of the Company as it protects the legal rights of the investors, in particular the public investors. The Company provides various communication channels for investors, including but not limited to:

(1) announcements, including regular and ad hoc reports;
(2) general meeting of the Shareholders;
(3) website of the Company;
(4) mailing materials;
(5) telephone enquiry;
(6) press interview;
(7) meeting with analysts and briefing of operation results;
(8) advertisement or other promotion materials;
(9) face to face discussion;
(10) on-site visit;
(11) road show;
(12) questionnaire survey; and
(13) others.

The Company has complied with the disclosure requirement of the place in which the Shares are listed. The disclosure of information is compliant, transparent, sufficient and continuous and allows the Shareholders and investors to have full access to the information of the Company.

The Company has always maintained efficient communication with the Shareholders and investors. The Company strictly complies with the legal disclosure requirement to allow local and overseas investors to have prompt and full access to information of the operation and development of the Company by organizing various investor relationship activities. In the future, the Company will maintain regular communication with local and overseas investors through telephone, mail and personal interview. The Company will also voluntarily and promptly disclose information of the Company on the websites of the Stock Exchange and the Company in accordance with the requirement of the Listing Rules. The Company will maintain its good corporate governance reputation by enhancing the transparency of the Company.

Corporate governance is a long-term strategic system of the Company. The Company will further improve its risk management and internal control in accordance with the regulatory requirements of the place in which its Shares are listed and the chances in the capital market as well as the expectation of investors. The Company will continue to review and improve its corporate governance and enhance the transparency of information disclosure to ensure the stable and healthy development of the Company and the continuous increase in Shareholders' value.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at the date of this report, the biographical details of Directors, Supervisors and senior management of the Company are as follows:

Directors

(1) Executive Directors

Mr. CAO Ziyu (曹子玉), born in September 1966, holds a bachelor's degree. Mr. CAO is the chairman, an executive director and the party committee secretary of the Company. He concurrently acts as the chairman, party committee secretary and director of HPG. Mr. Cao started working in July 1986 and joined the Communist Party of China in April 1991. He has served as the deputy director of the office of the management committee of Qinhuangdao Economic & Technological Development Zone, and director of policy research office of the management committee of Qinhuangdao Economic & Technological Development Zone. In June 1998, Mr. Cao served as the deputy secretary-general of municipal party committee of Qinhuangdao and concurrently acted as the deputy secretary-general of party committee of Ngari Prefecture, Tibet from July 1998 to June 2001. From February 2002 to October 2002 and from October 2002 to March 2003, he served as the deputy director of the propaganda department and head of the lecturer team of the municipal party committee of Qinhuangdao, respectively. In March 2003, Mr. Cao acted as the deputy secretary of party committee and district mayor of Beidaihe District of Qinhuangdao and concurrently served as the director of the management committee of Beidaihe Economic & Technological Development Zone. In December 2004, Mr. Cao served as the deputy secretary of party committee and district mayor of Beidaihe District of Qinhuangdao and the secretary of party committee of Beidaihe District of Qinhuangdao from January 2006 to May 2008. In May 2008, he served as member of the standing committee of municipal party committee of Qinhuangdao and the secretary of party committee of Beidaihe District. In December 2012, Mr. Cao served as member of the standing committee of municipal party committee and secretary of the politics and law committee of Qinhuangdao. In January 2014, he served as member of the standing committee of municipal party committee and executive vice mayor of Handan. In July 2016, he served as the party committee secretary of HPG. In August 2016, he served as the chairman of HPG and party committee secretary of the Company. In October 2016, Mr. Cao has served as the chairman and executive director of the Company.

Mr. YANG Wensheng (楊文勝), born in April 1969, holds a bachelor's degree and is a senior economist. He is currently the president, an executive director, a member of Remuneration and Appraisal Committee, Strategy Committee and the deputy party secretary of the Company. Mr. Yang started working in July 1991 and joined the Communist Party of China in September 1999. He served as clerk of the dispatch office, assistant officer of the dispatch office, deputy section chief of the production section and section chief of the production section of the Railway Transport Company of the Qinhuangdao Port Authority* (秦皇島港務局鐵運公司), the deputy manager of Rail Transportation Branch of Qinhuangdao Port Group Co., Ltd.* (秦皇島港務集團有限公司) in April 2003, the deputy manager of the production department of Qinhuangdao Port Group Co., Ltd.* in July 2004, the general manager of Qinren Sea Transportation Co., Ltd.* (秦仁海運有限公司) in July 2005, the manager of the Second Port Branch of the Company* in July 2011, the director of the production department of the Company in September 2012, the deputy general manager and member of the party committee of the Company in August 2014, and the general manager and deputy party committee secretary of the Company in March 2017. In June 2017, Mr. Yang has served as the executive director, member of Remuneration and Appraisal Committee and Strategy Committee. He has served as the president of the Company in December 2017.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. WANG Lubiao (**王錄彪**), born in January 1963, holds a bachelor's degree and a master's degree, and is a senior engineer. He is currently an executive director, deputy party secretary of the Company and employee representative supervisors of HPG. Mr. Wang has started working in August 1983 and joined the Communist Party of China in December 1991. He has served as the technician and enterprise manager, deputy chief and chief of the engineering and business department, chief of Finance Department of Communications Co. of the Qinhuangdao Port Authority (秦皇島港務局通信公司). From April 1995 to March 2000 and from March 2000 to April 2003, Mr. Wang has served as deputy manager and manager of Communications Co. of the Qinhuangdao Port Authority (秦皇島港務局通信公司) as well as the manager of the Sixth Port Branch of QPG in April 2003. He also served as the manager of the Sixth Port Branch of the Company in June 2008. He has served as deputy general manager and member of the Party Committee of the Company in December 2009. From April 2012, he acted as the executive Director of the Company. In August 2014, Mr. Wang has served as deputy party secretary and secretary of discipline committee of the Company. In March 2015, he has served concurrently as the employee representative supervisors of HPG.

Mr. MA Xiping (**馬喜平**), born in June 1968, holds a bachelor's degree and a master's degree, and a senior economist. He is currently an executive director, the vice president and the secretary to the Board of the Company. Mr. Ma has started working in July 1990 and joined the Communist Party of China in April 1989. He has served as a cadre in the Enterprise Management Office and deputy chief of the Legal Section of the Qinhuangdao Port Authority. In December 1997, he acted as a deputy chief of the Enterprise Management Division and deputy chief of the Enterprise Development Division of the Qinhuangdao Port Authority in May 1999. In August 2002, he has worked as the officer in charge of the Port Management Division. In December 2002, he has served as the director of Port Management Division of Hebei Port and Shipping Administration Bureau. In March 2004, Mr. Ma has served as deputy director of the General Office and deputy director of the Party Committee's Office of QPG. He has served as the secretary to the Board, director of the board office, General Office and office of the Party Committee of the Company in March 2008. In April 2012, he worked as deputy general manager, member of the Party Committee of the Company. In July 2013, he has served as an executive Director and has served as the vice president of the Company since December 2017.

(2) Non-executive Directors

Mr. LIU Guanghai (劉廣海), born in December 1960, holds a bachelor's degree and a master's degree is a professorate senior engineer. He is currently a non-executive director and vice chairman of the Company, the vice chairman, general manager and deputy secretary of the party committee of Hebei Port Group Co., Ltd. Mr. Liu started his career in August 1983 and joined the Communist Party of China in December 1986. He served successively as a planner at the construction instruction department of Qinhuangdao under the engineering headquarters of Ministry of Communications, a technical expert of the consultancy group for the construction of Friendship Port at Mauritania, the deputy division manager, deputy director, director and deputy commander at the construction instruction department of Qinhuangdao under the engineering headquarters of Ministry of Communications. He was the deputy head of Hebei Administration of Ports and Waterway under Hebei Provincial Department of Communications from September 2002, the head of Hebei Administration of Ports and Waterway under Hebei Provincial Department of Communications (equivalent of deputy director general) from September 2003, the Deputy Director General, a member of the party committee and the head of Administration of Ports and Waterway of Hebei Provincial Department of Communications from November 2006. He was the Deputy Director General and a member of the party committee of Hebei Provincial Department of Communications from August 2007 and the Deputy Director General and a member of the party committee of Hebei Provincial Department of Transportation from March 2009. He has been the vice-chairman, general manager and deputy secretary of the party committee of Hebei Port Group Co., Ltd. since February 2016, as well as a non-executive director and vice chairman of the Company since December 2018.

Mr. LI Jianping (**李建平**), born in February 1962, holds a master's degree and is a senior engineer. He is currently a non-executive director and the party secretary of Qinhuangdao State-owned Assets Operation Holdings Limited (秦皇島市國有資產經營控股有限公司). Mr. Li has served as the teacher of Automatic Control Engineering in Northeast Heavy Machinery College (東北重型機械學院), assistant engineer, deputy director of the power workshop, deputy head of equipment and power department, deputy chief engineer in electrical engineering and director of engineer office of production department of Qinhuangdao Acrylic Fibre Plant (秦皇島腈綸廠). In June 1997 and August 2003, he has worked as the deputy factory director and factory director of Qinhuangdao Acrylic Fibre Plant, respectively. He has been the chairman, general manager and deputy party secretary of Qinhuangdao Aolaite Acrylic Co., Ltd. (秦皇島奧萊特腈綸有限公司) since May 2005. He has been the deputy general manager of Qinhuangdao Bowei Construction Investment Group Limited since March 2014, and the party secretary of Qinhuangdao State-owned Assets Operation Holdings Limited (秦皇島市國有資產經營控股有限公司) since January 2015. Mr. Li has been serving as a non-executive Director of the Company since June 2014.

Ms. XIAO Xiang (肖湘), born in June 1973, holds a master's degree and is a senior economist, is currently a non-executive director of the Company and Deputy General Manager of Hebei Jiantou Traffic Investment Co., Ltd. Ms. Xiao was the Project Manager of the Foreign Investment Department of Hebei Construction & Investment Corporation in June 1995 and the Project Manager of the Transportation Division of Hebei Construction & Investment Corporation in April 2000. In April 2006, she was the Assistant Manager of the Transportation Division of Hebei Construction & Investment Corporation. She served as a manager of the Hong Kong Branch of Hebei Jiantou Traffic Investment Co., Ltd. in June 2007, and manager of port branch of Hebei Jiantou Transportation Investment Co., Ltd. (河北建投交通投資有限責任公司) and assistant to general manager of Hebei Jiantou Transportation Investment Co., Ltd. in May 2008. She was the Deputy General Manager of Hebei Jiantou Electric Fuel Management Co., Ltd. in February 2014 and has been Deputy General Manager of Hebei Jiantou Traffic Investment Co., Ltd. since July 2015, as well as a non-executive director of the Company since June 2015.

(3) Independent Non-executive Directors

Ms. ZANG Xiuqing (**臧秀清**) born in December 1963, holds a PhD degree and is currently an independent non-executive director of the Company, a professor of Yanshan University, and the financial supervisor of Qinhuangdao Rongxuan Machinery Manufacturing Co., Ltd. Ms. Zang has been a teacher at Yanshan University since July 1984, serving as a trainee assistant teacher, an assistant teacher, a lecturer, an associate professor and a professor. During the period from October 2004 to March 2005, Ms. Zang studied at Brunel University in the UK as a visiting scholar. During the period from March 2005 to March 2007, Ms. Zang served as an external director of Qinhuangdao Lihua Starch Co., Ltd. (秦皇島驪驊澱粉股份有限公司); during the period from September 2006 to September 2009, Ms. Zang served as a director of the third Fiscal Society of Qinhuangdao (秦皇島市第三屆財政學會理事); and since January 2007 till now, Ms. Zang served as the financial supervisor of Qinhuangdao Rongxuan Machinery Manufacturing Co., Ltd.; and from October 2007 to October 2010, she served as an external director of Qinhuangdao Jihua 3544 Shoe Co., Ltd. (秦皇島際華3544鞋業有限公司). Ms. Zang has been serving as an independent non-executive director since June 2015.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. HOU Shujun (**侯書軍**), born in July 1963, holds a PhD degree and is currently an independent non-executive director of the Company, the director of the Institute of Vibration Engineering (振動工程研究所) of Hebei University of Technology, and a professor and a doctoral tutor of the School of Mechanical Engineering. Mr. Hou has started working in July 1987. In July 1987, Mr. Hou had been a teacher of mechanical faculty in Hebei University of Technology. In November 1990, he worked as an engineer and the director of research office in the Shijiazhuang Mining Machinery Laboratory of the Ministry of Electrical and Electronics Industry (機電部石家莊礦山機械研究所); from April 1994 to July 2007, Mr. Hou was a teacher at Hebei University of Science and Technology, serving as a lecturer, an associate professor, and a professor. During the period from January 2002 to January 2003, Mr. Hou studied at the Swansea University and the University of Leeds in the UK as a visiting scholar. In November 2003, Mr. Hou acted as the director of e Institute of Vibration Engineering of Hebei University of Science and Technology and also acted as a professor in the College of Mechanical Engineering of Hebei University of Technology since July 2007. Mr. Hou has been serving as the director of the Institute of Vibration Engineering of Hebei University of Technology since November 2007 and a doctoral tutor since May 2013. Mr. Hou has been serving as an independent non-executive director since June 2015.

Mr. CHEN Ruihua (陳瑞華), born in October 1974, holds a PhD degree and is currently an independent non-executive director of the Company and an associate professor and master tutor of the School of Economics at Nankai University. Mr. Chen was a teaching assistant at the School of Economics at Nankai University from 1997 to 2000. He was a lecturer at the School of Economics at Nankai University from 2000 to 2004, and has been an associate professor at the School of Economics at Nankai University from 2004 to present. Mr. Chen is a member of the expert group of the China Futures Association, a member of the editorial board for the "PRC Securities and Futures", one of the first level candidates in the Tianjin "131" Talents Project, and a distinguished expert from the Tianjin PPP Center (Fiscal Bureau). Mr. Chen has been serving as an independent non-executive Director of the Company since June 2018.

Mr. XIAO Zuhe (肖祖核), born in September 1966, holds a master's degree and is currently an independent non-executive director of the Company and the Managing Director of Tianjin Benefit Capital Equity Investment Fund Management Co., Ltd. (天津百富源股權投資基金管理有限公司) and Shenzhen Qianhai Benefit Capital Equity Investment Management Co., Ltd. (深圳市前海百富源股權投資管理有限公司). Mr. Xiao served as department manager of Jiangxi Accounting Firm (江西會計師事務所) from July 1988 to March 1995. He served as Assistant Financial Director of Shenzhen Fountain Corporation (深圳世紀星源股份有限公司) from April 1995 to May 1996. From July 1996 to June 1999, he served as Senior Auditor of Hong Kong Ho and Ho CPA Limited (香港何錫麟會計師行), and served as CFO of Cosun Global Telephone Limited (僑興環球電話有限公司) (listed on NASDAQ) from July 1999 to July 2003. He served as CEO of Benefit Capital (Hong Kong) Company Limited (香港百富達融資有限公司) from August 2003 to March 2010 and has been the Managing Director of Tianjin Benefit Capital Equity Investment Fund Management Co., Ltd. and Shenzhen Qianhai Benefit Capital Equity Investment Management Co., Ltd. since March 2010. Mr. Xiao has been an independent Director of Konka Group Co., Ltd. (listed on the SZSE, stock code: 000016) since June 2015 and has been an independent non-executive Director of China Health Group (stock code: 00673) since March 2016. From September 2016 till now, he has been as independent Director of Sunnypol Optoelectronics Co., Ltd. (listed on the SZSE, stock code: 002876), and has been the independent Director of Chuangfu Hong Kong Business Services Co., Ltd (listed on the National Equities Exchange and Quotations (NEEQ), stock code: 836090) since March 2017. Mr. Xiao has been serving as an independent non-executive Director of the Company since June 2018.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Supervisors

(1) Supervisors

Mr. MENG Bo (孟博), born in August 1968, holds a bachelor's degree and a master's degree. He is currently a supervisor, chairman of the Supervisory Committee, the Secretary of the Disciplinary Committee and the member of the Party Committee of the Company and the Secretary of the Disciplinary Committee of the Hebei Port Group, the Standing Committee member of the Party Committee. Mr. Meng joined the workforce in July 1990 and joined the Communist Party of China in February 1995. He was once the cadre of the Hebei Provincial Department of Agriculture, the cadre of the personnel examination center of the Hebei Provincial Personnel Department, and the chief clerk of the Personnel Department. In July 1999, he was the Deputy Director of the Office of the Office of the Audit Commissioner of the Hebei Provincial Government (河北省政府稽查特派員公署), and in November 2000, he served as the Vice Director of the 河北省委企業工委監事會工作處, full-time Supervisor (Leading roles of divisions or equivalents) of Supervisory Committee of key enterprises of Hebei Province (河北省重點企業監事會) in February 2002. He was appointed as the full-time Supervisor and head of the office of the Supervisory Committee of Key Enterprises of Hebei Province in November 2003. In December 2013, he served as Secretary of the Disciplinary Committee of the Hebei Port Group and Standing Committee member of the Party Committee. Since August 2017, he has been the Secretary of the Disciplinary Committee of the Hebei Port Group, Standing Committee member of the Party Committee, Secretary of the Disciplinary Committee of the Company, and member of the Party Committee. Mr. Meng has been serving as a supervisor and chairman of the Supervisory Committee of the Company since June 2018.

Mr. BU Zhouqing (**卜周慶**), born in October 1969, holds a bachelor's degree and is a senior accountant. He is currently a supervisor of the Company. Mr. Bu has started working in July 1992 and joined the Communist Party of China in May 1999. He served as a company cadre of the Qinhuangdao Port Authority, a cadre of the Finance Department of the Qinhuangdao Port Authority, a deputy section chief and a section chief of the infrastructure section, and a chief of the accounting department of the QPG Finance Department. He served as the deputy director of the Finance Department of QPG since December 2008, the director of the Finance Department of Hebei Port Group Service Management Co., Ltd. (河北港口集團服務管理公司) since January 2010, the deputy director of the Finance Department of HPG and the director of the Finance Department of Hebei Port Group Service Management Co., Ltd. since May 2010. In July 2011, Mr. Bu served as the director of the Finance Department of the Company, and has served as the director of the Finance Department of HPG since June 2014. He has been a supervisor of the Company since June 2015.

Ms. BIAN Yingzi (卞英姿), born in November 1971, holding a bachelor's degree, a senior accountant, and a certified public accountant, is currently as a supervisor of the Company and the Financial Director of Qinhuangdao State-owned Assets Management Holdings Limited (秦皇島市國有資產經營控股有限公司). Ms. Bian began her internship in various subsidiaries of the China Yaohua Glass Group Co., Ltd. and the Group's Finance Department in July 1994. In May 1995, she served as a staff member of the China Yaohua Glass Group Finance Co., Ltd. From February 1996 to June 2002, she served as the member of the account division and capital division, and Manager assistant of China Yaohua Glass Group Finance Co., Ltd., and served as Deputy General Manager and Lead Deputy General Manager of China Yaohua Glass Group Finance Co., Ltd. from June 2002 to April 2005. In April 2005, she served as General Manager of China Yaohua Glass Group Finance Co., Ltd., and in August 2007, served as the General Manager of the financial settlement center of China Yaohua Glass Group Corporation. In September 2009, she served as Vice Minister of Finance of China Yaohua Glass Group Corporation and General Manager of the financial settlement center of China Yaohua Glass Group Corporation, and Vice Minister of Finance of China Yaohua Glass Group Co., Ltd. in July 2011. She served as the Minister of Finance of China Yaohua Glass Group Co., Ltd. in April 2013. Since October 2015, she has been the CFO of Qinhuangdao State-owned Assets Management Holdings Co., Ltd. Ms. Bian has been serving as a supervisor of the Company since June 2018.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(2) Employee Representative Supervisors

Mr. CAO Dong (曹棟), born in June 1969, holds a bachelor's degree and a master's degree and is a senior accountant. He is currently an employee representative supervisor and director of audit section of the Company. Mr. Cao has started working July 1991 and joined the Communist Party of China in June 1991. He worked in the Qinhuangdao Port Authority as a cadre of the enterprise management section of the Railway Transport Branch, and then as cadre, deputy chief and chief of the financial audit section of audit division. Mr. Cao was appointed as deputy director of the Investment Center of QPG from April 2003 to December 2003. He was appointed as deputy director of the Investment Center of QPG since April 2003. He served as deputy manager of general affairs office of construction headquarters of Caofeidian in December 2003. He has served as deputy director of the audit department of the Company since April 2009. He was appointed as director of the audit department of the Company since March 2012. Mr. Cao has been serving as an employee representative supervisor since August 2010.

Ms. CHEN Linyan (陳林燕), born in December 1968, holds a bachelor's degree and is a senior economist. She is currently the vice chairwoman of the labor union of HPG and vice chairwoman of the labor union of the Company. Ms. Chen has started working in July 1991 and joined the Communist Party of China in June 1991. She has once served as the secretary of the planning and statistics section (計統科), the secretary, vice section chief and section chief of labor section (勞資科) of the Sixth Port Branch (第六港務分公司). She was appointed as the vice director of the Labor Department (勞資部) of QPG in April 2003. In March 2007, Mr. Chen served as the vice director of the Human Resources Department of the Company. In April 2008, she acted as the vice director of the Human Resources Department (Organization Department of the Party Committee) of the Company and the vice chairwoman of the labor union of HPG in January 2016. She has been serving as the vice chairwoman of the labor union of the Company since July 2016 and an employee representative supervisor of the Company since September 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Senior Management

Mr. HE Zhenya (何振亞), born in July 1963, holds a bachelor's degree and a master's degree and is a senior engineer. He is currently the deputy general manager and a member of the party committee of the Company. Mr. He has started working in August 1986. He served as a forging plant technician at the Electrical and Mechanical Repairing Plant of Kailung Coal Mining Bureau, technician and deputy leader of the unloading team of the Sixth Port Branch of Qinhuangdao Port Authority, deputy section chief and section chief of the material section and section chief of the design section. In March 2002, he served as the deputy manager of the Sixth Branch of the Qinhuangdao Port Authority and served as the deputy manager of the Sixth Port Branch of QPG since April 2003. He worked as the chief of the preparatory group for Phase Five coal terminal since July 2004 and manager of the Ninth Port Branch of QPG since July 2005 and manager of the Ninth Port Branch of the Company since June 2008. Since December 2009, he has been serving as the deputy general manager, member of the Party Committee of the Company. Mr. He has also been serving as the vice president of the Company since December 2017.

Mr. GUO Xikun (郭西錕), born in September 1965, holds a bachelor's degree and a master's degree, and is a senior accountant. He is currently the deputy general manager, the chief financial officer and a member of the party committee of the Company. Mr. Guo has started working in July 1988 and joined the Communist Party of China in June 2000. Mr. Guo once served as accountant, deputy section chief, section chief of the Finance Division of the Qinhuangdao Port Authority. He worked as the deputy director of the Finance Department of the QPG in December 1997. From December 2001 to May 2011, he served as supervisor of China Merchants Securities Co., Ltd. (招商證券股份有限公司). In April 2003 an August 2007, Mr. Guo acted as the deputy director and director of the Finance Department of the QPG, respectively. Since March 2008, he has served as chief financial officer and director of the Finance Department of the Company. Since December 2009, he has been the chief financial officer, member of the Party Committee of the Company. Since August 2014, he was appointed as deputy general manager of the Company. Mr. Guo has been serving as the vice president of the Company since December 2017.

Mr. NIE Yuzhong (聶玉中), born in January 1969, holds a bachelor's degree and a master's degree, and is a senior economist and a senior political engineer. He is currently the vice president and a member of the party committee of the Company. Mr. Nie has started working in July 1989 and joined the Communist Party of China in June 2000. He has served as a cadre of Electromechanical Section of the Second Branch of the Qinhuangdao Port Authority, salesperson, dispatching director and manager of shipping department of China Ocean Shipping Tally Co., Ltd. Qinhuangdao Branch (秦皇島外輪代理有限責任公司). Since April 2001, he served as deputy general manager of China Ocean Shipping Tally Co., Ltd. Qinhuangdao Branch and general manager of China Ocean Shipping Tally Co., Ltd. Qinhuangdao Branch since April 2003. Mr. Nie has been a party secretary of the Ninth Port Branch of QPG since July 2005, and served as a concurrent post of secretary of the Discipline Committee of the Ninth Port Branch since December 2006. He has also served as a manager of the Ninth Port Branch of the Company since July 2011. He was appointed as a supervisor and chairman of the Supervisory Committee of the Company in June 2014. He was appointed as the member of the party committee of the Company in February 2018. He has been serving as the vice president of the Company since March 2018.

Company Secretary

Mr. ZHANG Nan (張楠), born in July 1980, holds a bachelor's degree and is an economist. He is currently the director of securities department, securities affairs representative and company secretary of the Company. Mr. Zhang began working in July 2002 and once served as a legal consultant, lawyer and secretary of QPG. In December 2008, he served as the director of the securities affairs division of the board office of the Company. In August 2013, he served as the joint company secretary. In November 2013, he served as the securities affairs representative and deputy director of the board office of the Company. In December 2016, he served as the company secretary of the Company. In October 2017, he served as the director of securities department of the Company.

REPORT OF THE BOARD OF DIRECTORS

The Board hereby presented the Report of the Board of Directors and the audited consolidated financial statements of the Group for the Year.

Principal Business

As at the date of this report, the Group provides integrated port services including stevedoring, stacking, warehousing, transportation and logistics services. The various types of cargo we handled mainly include (i) dry bulk cargoes (including coal and metal ores), (ii) oil and liquefied chemicals, (iii) containers and (iv) general cargo and other goods.

There is no material change to the nature of Group's principal business activities during the Year.

Financial Position and Results

Financial position as at 31 December 2018 and profit of the Year of the Group are set out in pages 75 to 78 of this report.

Dividends

The Board proposed distribution of final dividends of RMB0.077 (tax inclusive) per Share for the Year to the Shareholders of the Company. If the profit distribution plan is approved by the Shareholders on the Annual General Meeting, final dividends will be distributed to Shareholders whose names appear on the register of members of the Company on 4 July 2019 before 20 August 2019. In accordance with the Articles of Association of the Company, dividends payable to holders of A Shares will be made and paid in RMB, whereas dividends payable to holders of the H Shares will be declared in RMB and paid in Hong Kong dollars, the exchange rate of which will be calculated based on the average exchange rate published by the People's Bank of China (中國人民銀行) during the week prior to the Annual General Meeting to be held on 20 June 2019.

According to the Dividend Distribution Plan of Qinhuangdao Port Co., Ltd. (2018-2020) formulated by the Company, the Company may distribute dividends in cash, in shares or in a combination of both cash and shares or other means as permitted under laws and regulations, and shall give priority to cash dividends. The Company may make interim profit distribution in cash. Save for exceptional circumstances which may adversely affect the continuous ordinary operation of the Company as determined by Board, provided that the ordinary and sustainable development of the Company is being maintained, the Company may distribute dividend in cash if positive profit and accumulated undistributed profits are recorded. Profits to be distributed in cash for each year shall not less than 30% of net profits attributable to Shareholders of the Company for that year. Please refer to the circular dated 3 May 2018 of the Company for details.

In accordance with the Corporate Income Tax Law of the PRC and its implementation rules effective on 1 January 2008, where a PRC domestic enterprise distributes dividends for financial periods beginning from 1 January 2008 to non-resident enterprise shareholders, it is required to withhold 10% corporate income tax for such non-resident enterprise shareholders. Therefore, as a PRC domestic enterprise, the Company will, after withholding 10% of final dividends as corporate income tax, distribute the final dividends to nonresident enterprise shareholders, i.e. any shareholders who hold the Company's Shares in the name of non-individual shareholders, including but not limited to HKSCC Nominees Limited, or other nominees, trustees, or holders of H Shares registered in the name of other organizations and groups.

Due to changes in the PRC tax laws and regulations, according to the Announcement on the List of Fully and Partially Invalid and Repealed Tax Regulatory Documents issued by the State Administration of Taxation (《關於公佈全文失效廢止、部份條款失效廢止的稅收規範性文件目錄的公告》) on 4 January 2011, individual Shareholders who hold the Company's H Shares and whose names appeared on the H Share Register of the Company can no longer be exempted from individual income tax pursuant to the Notice of the State Administration of Taxation Concerning the Taxation of Gains on Transfer and Dividends from Shares (Equities) Received by Foreign Investment Enterprises, Foreign Enterprises and Foreign Individuals (Guo Shui Fa [1993] No. 045) (《關於外商投資企業、外國企業和外籍個人取得股票（股權）轉讓收益和股息所得稅收問題的通知》(國稅發[1993]045號)) issued by the State Administration of Taxation, whilst pursuant to the letter titled Tax Arrangements on Dividends Paid to Hong Kong Residents by Mainland Companies issued by the Stock Exchange to the issuers on 4 July 2011 and the Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 of State Administration of Taxation (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)), it is confirmed that the overseas resident individual shareholders holding shares of domestic non-foreign invested enterprises issued in Hong Kong are entitled to the relevant preferential tax treatments pursuant to the provisions in the tax arrangements between the countries where they reside and the PRC or the tax arrangements between the PRC and Hong Kong or the Macau Special Administrative Region of the PRC. Therefore, the Company will withhold 10% of the dividend as individual income tax, unless it is otherwise specified in the relevant tax regulations and tax agreements, in which case the Company will withhold individual income tax of such dividends in accordance with the tax rates and according to the relevant procedures as specified by the relevant regulations.

The AGM of the Company will be held on Thursday, 20 June 2019. In order to determine the holders of H Shares who will be entitled to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 21 May 2019 to Thursday, 20 June 2019 (both days inclusive), during which period no transfer of Shares will be registered. In order for the holders of H Shares of the Company to qualify for attending the 2018 AGM, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, and in any case no later than 4:30 p.m. on Monday, 20 May 2019.

Subject to the approval of the resolution regarding the declaration of dividends at the Annual General Meeting for 2018, dividends will be paid to the Shareholders whose names appear on the register of members of the Company after the close of the market on 4 July 2019. The register of the Company will be closed from Saturday, 29 June 2019 to Thursday, 4 July 2019 (both days inclusive), during which period no transfer of shares will be registered. In order for the holders of H Shares of the Company to qualify for receiving the final dividends, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, and in any case no later than 4:30 p.m. on Friday, 28 June 2019. The Company has no obligation and will not be responsible for confirming the identities of the Shareholders. The Company held no liability in respect of any claims arising from any delay in, or inaccurate determination of the identity of the Shareholders or any disputes over the mechanism of withholding.

The Board is not aware that any Shareholder has waived or agreed to waive any dividends.

Use of Proceeds from the Global Offering

The H Shares of the Company have been listed and traded on the Stock Exchange since 12 December 2013. After deducting related expenses, the net proceeds of the Company from the Global Offering amounted to HK$3,823 million. The use of proceeds from the Global Offering disclosed in the section "Future Plans and Use of Proceeds" in the Prospectus from the Company's listing in December 2013 to nowadays (except for working capital and general corporate purposes) has been completed as planned, with the actual investment amount slightly more than the allocated amount set out in the Prospectus. In order to increase the efficiency of the use of proceeds from the Global Offering, the Board of Directors of the Company considers that it is necessary to adjust the use of proceeds from the Global Offering of the plan and has already made a resolution to approve the adjustment of the unused proceeds from the Global Offering into working capital and general corporate purposes. The Board believes that the above adjustments to the use of proceeds from the Global Offering will increase the flexibility of the Company's financial management and reduce other financing costs as well as in line with the overall interests of the Company and its Shareholders. For details, please refer to the announcement of the Company dated 27 October 2017.

(i) As of 31 December 2018, HK$3,732.1801 million of the proceeds from the Global Offering have been used by the Company and HK$124.4805 million of the proceeds from the Global Offering remain unused, including the self-raised funds for the payment of the listing expenses of HK$24.0174 million and the net interest income relating to the proceeds from the Global Offering of HK$9.8874 million. The specific use of proceeds from the Global Offering is as follows:

(Expressed in ten thousand of Hong Kong dollars)

No.	Use disclosed in the prospectus	Proceeds allocated as set out in the prospectus (a)	Amount of proceeds from fund raising (b)	Amount of proceeds not from fund raising (c)	Difference between the actual amount of proceeds used and the amount of proceeds allocated as set out in the prospectus (d=a-b-c)
1	Procurement of stackers for coal handling services in Qinhuangdao Port to replace aging equipment	5,124.00	–	5,124.00	0
2	Procurement of diesel locomotive	1,139.00	634.01	430.62	74.37
3	Construction of ore berths in Huanghua Port	244,408.18	232,534.70	–	11,873.48
4	Repayment of bank loans	94,003.14	102,580.18	–	-8,577.04
5	Working capital and general corporate purposes	37,601.26	37,469.12	–	132.14
Total		382,275.58	373,218.01	5,554.62	3,502.95

Notes:

1. the "Amount of proceeds from fund raising" annotated as column (b) in the table (totaling HK$3,732.1801 million) represents the amount of proceeds from the Global Offering actually used;

2. the "Amount of proceeds not from fund raising" annotated as column (c) in the table (totaling HK$55.5462 million) represents the amount paid (for the contents disclosed in the section headed "Future Plans and Use of Proceeds" in the prospectus) with internal resources of the Company; and

3. the "Difference between the actual amount of proceeds used and the amount of proceeds allocated as set out in the prospectus" annotated as column (d) in the table (totaling HK$35.0295 million) represents the difference between the actual amount allocated to the Intended Purposes (including amounts paid from the proceeds from the Global Offering and amounts paid with the Company's internal resources) and the expected amount of proceeds from the Global Offering allocated to the Intended Purposes.

(ii) As of 31 December 2018, the balance of proceeds from the Global Offering of HK$124.4805 million included the followings:

1. the difference between the actual amount of proceeds used and the amount of proceeds allocated as set out in the prospectus in the amount of HK$35.0295 million;

2. amount of proceeds not from fund raising for the payment of the equipment in the investment projects in the amount of HK$55.5462 million;

3. self-raised funds for the payment of the listing expenses of HK$24.0174 million and the net interest income relating to the proceeds in the amount of HK$9.8874 million. The "self-raised funds for the payment of the listing expenses of HK$24.0174 million" represents the amount paid with internal resources of the Company for the purpose of listing expenses; and the "net interest income relating to the proceeds in the amount of HK$9.8874 million" represents the net interest income generated from the proceeds from the Global Offering and kept in the designated bank account for the Global Offering (the "Designated Account").

   The balance of proceeds from the Global Offering of HK$124.4805 million are expected to be used for the working capital and general corporate purposes of the Company in the next five years, including the payment of dividend to the shareholders of H Shares, if any, and the payment of relevant fees to the overseas intermediaries in relation to the listing of H Shares. "The balance of proceeds from the Global Offering" shall represent the balance of proceeds from the Global Offering kept in the Designated Account.

   The Company would like to further explain how to reconcile the amount of HK$35.0295 million with the amount of HK$124.4805 million (being the balance kept in the Designated Account): the amount of HK$55.5462 million and the amount of HK$24.0174 million were paid with the internal resources of the Company and not paid from the Designated Account. Together with the net interest income in the amount of HK$9.8874 million arising from the proceeds of the Global Offering, all such items and the amount of HK$35.0295 million had been aggregated to arrive at the amount of HK$124.4805 million, being the balance kept in the Designated Account.

Fixed Assets and Construction in Progress

Details of fixed assets and construction in progress of the Group in the Year are set out in Note V-10 and V-11 to the financial statements in this annual report.

Undistributed Profits at the End of the Year

Details of the undistributed profits of the Group in the Year are set out in "Consolidated Statement of Changes in Equity" in this annual report. As at 31 December 2018, undistributed profits at the end of the Year distributable to Shareholders amounted to approximately RMB1,789,567 thousand.

Major Customers and Suppliers

During the Year, revenue from the sales to the five largest customers by the Group accounted for approximately 42.05% of the total turnover of the Group, among which, revenue from the sales to the largest customer accounted for approximately 12.80% of the total turnover of the Group.

During the Year, our purchases made from the five largest suppliers of goods or services (i.e. our non-capital goods suppliers) accounted for 18.27% of operating cost of the Group, among which, our purchases made from the largest supplier of non-capital goods accounted for 4.62% of the operating cost of the Group; our purchases made from the five largest equipment and construction service suppliers (i.e. our capital goods suppliers) amounted to RMB19.41 thousand, among which, our purchases made from the largest equipment and construction service supplier amounted to RMB12.65 thousand.

During the Year, none of the Directors, Supervisors or their respective associates or any Shareholders who own more than 5% of equity interests of the Company so far as the Directors are aware, has beneficial interests in the five largest customers and the five largest capital or non-capital goods suppliers.

Capital Commitment

Details of the capital commitment of the Group for the Year are set out in Note XI to the financial statements in this annual report.

Subsidiaries, Joint Ventures and Associates

Details of business performance of each of the major subsidiaries, joint ventures and associates of the Company are set out in Note VII to the financial statements in this annual report.

Donation

The charity and other donations of the Group made during the Year amounted to approximately RMB102 thousand.

Connected Transactions

Holding 10% or more of the issued share capital of the Company, HPG is a substantial shareholder of the Company as defined in the Listing Rules. As such, HPG and its associates (as defined in the Listing Rules) are the connected persons of the Company under Chapter 14A of the Listing Rules.

As HPG Finance is the subsidiary of HPG and 60% of its equity is owned by HPG, HPG Finance is an associate of HPG and also the connected person of the Company.

Details of the connected transactions of the Group during the Year are set out in Note X to the financial statements of this annual report , all of which also constitute connected transactions under Chapter 14A of the Listing Rules.

During the Year, the Group entered into the following transactions and arrangements with connected persons as defined in the Listing Rules:

Continuing Connected Transactions Exempted from the Relevant Circulars (Including Independent Financial Advice) and Shareholders' Approval Requirements

The Group and HPG (and its subsidiaries) have carried out the following continuing connected transactions exempted from the relevant circulars (including independent financial advice) and shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules during the Year:

(A) Lease Agreement

The Company and HPG entered into a lease agreement on 25 December 2008 which was renewed on 28 March 2011 (the "**Old Lease Agreement**") in respect of the lease of certain assets which include land, buildings, facilities and equipment from HPG to us. The Old Lease Agreement was valid from 31 March 2008 to 31 December 2013. On 11 July 2013, the Company and HPG entered into a supplemental agreement to the Old Lease Agreement, which extended its term to 31 December 2015, with effect from the execution date of the supplemental agreement. On 23 March 2016, the Company and HPG entered into the first new lease agreement, which extended the term of the supplemental agreement to the Old Lease Agreement to 31 December 2018 with effect from 1 January 2016. On 28 September 2018, the Company and HPG entered into the second new lease agreement, which extended the term of the first new lease agreement to 31 December 2021 with effect from 1 January 2019. Pursuant to the Old Lease Agreement, HPG leases to us certain facilities, equipment and properties related to our operations in the western zone of Qinhuangdao Port, which include office buildings, stacking yards, roads, power supply and lighting equipment, office facilities and instruments, and a majority of which are immovable properties. For details of the second new lease agreement, please refer to the announcement of the Company dated 28 September 2018.

In 2018, the Company paid rental fees RMB88,441,612.35 to HPG according to the first new lease agreement.

Non-Exempt Continuing Connected Transactions

The Group, HPG (and its subsidiaries) and HPG Finance have carried out the following continuing connected transactions not exempted from Rule 14A.76(1) of the Listing Rules during the Year:

(B) General Services Agreement

The Company entered into a general services agreement with HPG on 25 December 2008 which was renewed on 28 March 2011 (the "**Old General Services Agreement**"). On 11 July 2013, the Company entered into a supplemental agreement to the general services agreement with HPG, which extended the term of the Old General Service Agreement to 31 December 2015, with effect from the execution date of the supplemental agreement. On 23 March 2016, the Company and HPG entered into the first new general services agreement, which extended the term of the supplemental agreement to the Old General Services Agreement to 31 December 2018 with effect from 1 January 2016. On 28 September 2018, the Company and HPG entered into the second new general services agreement, which extended the term of the first new general services agreement to 31 December 2021 with effect from 1 January 2019. The Old General Services Agreement serves as a framework agreement containing the scope of goods and services, transaction principle, stipulation on the formulation of annual procurement and estimation plan, pricing terms and policies in respect of the goods and services to be provided under the old general services agreement.

Pursuant to the Old General Services Agreement, HPG and/or its subsidiaries shall provide a wide range of services for the Group, which include (i) social services such as employee training, medical services, printing and other relevant or similar services; (ii) office and logistics services such as property services, office leasing, office supplies and other daily supplies leasing, water and heat supply, hygiene, greening and other relevant or similar services; and (iii) production services such as equipment manufacturing, survey and design, supervisory services, vehicle and other equipment leasing, port construction, port engineering maintenance and communication services, reclaimed water supply, goods and resource supply and other relevant or similar services, while the Group shall provide HPG and/or its subsidiaries with the following services: general port services, port electricity management services, transportation services, software services, labor services, leasing services, resources supply services and other relevant or similar services. For details of the second new general services agreement, please refer to the announcement of the Company dated 28 September 2018.

In 2018, the Group provided services to HPG in an amount of RMB58,254,632.49; and HPG provided services to the Company in an amount of RMB485,624,347.52.

(C) Financial Services Framework Agreement

On 17 November 2014, the Company (on behalf of itself and its subsidiaries) entered into the old financial services framework agreement (the "**Old Financial Services Framework Agreement**") with HPG Finance, pursuant to which HPG Finance Limited agreed to provide the financial services to the Group. Such agreement shall take effect till 31 December 2016. On 23 March 2016, the Company and HPG Finance entered into the first new financial services framework agreement, which extended the term of the Old Financial Services Framework Agreement to 31 December 2018, and replaced the Old Financial Services Framework Agreement with retrospective effect from 1 January 2016. On 28 September 2018, the Company and HPG Finance entered into the second new financial services framework agreement, which extended the term of the first new financial services framework agreement to 31 December 2021 with effect from 1 January 2019. The Old Financial Services Framework Agreement serves as a framework agreement containing the scope of financial services provided by HPG Finance to the Group, transaction principle, annual caps and pricing terms and policies.

Pursuant to the Old Financial Services Framework Agreement, the financial services to be provided by HPG Finance to the Group include: (i) Deposit Taking Services, (ii) Loan Services, and (iii) Other Financial Services. For details of the second new financial services framework agreement, please refer to the announcement of the Company dated 28 September 2018.

For the year ended 31 December 2018, the maximum deposit balance of deposit service (namely maximum daily deposit and interest income balance) and the maximum amount of loan granted in respect of loan service (namely maximum daily loan and interest balance) at the actual transaction date were RMB2,058,443,443.53 and RMB235,000,000.00 respectively. In terms of other financial services, the actual transaction amount was RMB0.00.

The independent non-executive Directors of the Company had reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Company;

(2) either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms or not, on terms no less favorable than those available to or from independent third parties; and

(3) in accordance with the relevant agreements governing the transactions and on terms that are fair and reasonable and in interests of the Company and the Shareholders as a whole.

According to Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "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". The auditor has issued an unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules.

The above continuing connected transactions:

(1) have been approved by the Board;

(2) have been, in all material respects, effected in accordance with pricing policies specified under the respective agreements relating to the transactions;

(3) have been, in all material respects, entered into on the terms of the respective agreements relating to the transactions; and

(4) do not exceed the annual caps as disclosed in relevant announcements.

The related party transactions (which also constituted connected transactions/continuing connected transactions under Chapter 14A of the Listing Rules) set out in Note X to the financial statements are in compliance with the disclosure requirement under Chapter 14A of the Listing Rules.

Employees, Remuneration Policy and Pension Scheme

Staff costs of the Group during the Year amounted to RMB2,528,017 thousand. For details of employees, remuneration policy and pension scheme of the Company, please refer to Note III-21, Note V-20 and V-26 to the financial statements.

Share Capital

As at 31 December 2018, the total issued share capital of the Company amounted to RMB5,587,412,000, which was divided into 5,587,412,000 Shares, which was divided into 5,587,412,000 Shares (comprising 829,853,000 H Shares and 4,757,559,000 A Shares), with a nominal value of RMB1.00 each.

Share capital as at 31 December 2018 was as follows:

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

Details of changes in share capital of the Company during the Year are set out in Note V-29 to the financial statements in this annual report.

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.

Share Option Scheme

The Company has not adopted any share option scheme.

Interests and Short Positions of Substantial Shareholders and Other Persons in Shares of the Company

As at 31 December 2018, so far as the Directors and Supervisors are aware, other than the Directors, Supervisors and the senior management of the Company, the following persons had or deemed to have an interest or short position in the Shares, underlying Shares and debentures which was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholders	Number of Shares held	Capacity	Class of Shares	Approximate percentage of the total number of relevant class of issued share capital of the Company	Approximate percentage to total issued share capital of the Company	Long position/ short position
State-owned Assets Supervision & Administration Commission of the People's Government of Hebei Province	3,032,528,078 (note 1)	Interest of controlled corporation	A Share	63.74%	54.27% (note 4)	Long position
HPG	3,032,528,078	Beneficial owner	A Share	63.74%	54.27% (note 4)	Long position
Qinhuangdao Municipal People's Government State-owned Assets Supervision and Administration Commission	621,455,485	Beneficial owner	A Share	13.06%	11.12%	Long position
HPG	71,303,000 (note 2)	Interest of controlled corporation	H Share	8.59%	1.28%	Long position
HPG INTERNATIONAL (HONG KONG) CO., LIMITED	71,303,000	Beneficial owner	H Share	8.59%	1.28%	Long position
Fosun International Holdings Ltd.	50,154,000 (note 3)	Interest of controlled corporation	H Share	6.04%	0.90%	Long position
Fosun Holdings Limited	50,154,000 (note 3)	Interest of controlled corporation	H Share	6.04%	0.90%	Long position
Fosun International Limited	50,154,000 (note 5)	Interest of controlled corporation	H Share	6.04%	0.90%	Long position
Guo Guangchang	50,154,000 (note 3)	Interest of controlled corporation	H Share	6.04%	0.90%	Long position
China Shipping (Group) Company	44,296,500 (note 4)	Interest of controlled corporation	H Share	5.34%	0.79%	Long position
China Shipping (Hong Kong) Holdings Co., Limited	44,296,500 (note 4)	Interest of controlled corporation	H Share	5.34%	0.79%	Long position
China Shipping Ports Development Co., Ltd.	44,296,500	Beneficial owner	H Share	5.34%	0.79%	Long position
Fosun Financial Holdings Limited	42,780,000 (note 5)	Interest of controlled corporation	H Share	5.16%	0.77%	Long position
Spinel Investment Limited	42,780,000 (note 5)	Interest of controlled corporation	H Share	5.16%	0.77%	Long position
Peak Reinsurance Holdings Limited	42,780,000 (note 5)	Interest of controlled corporation	H Share	5.16%	0.77%	Long position
Peak Reinsurance Company Limited	42,780,000	Beneficial owner	H Share	5.16%	0.77%	Long position

Notes:

1. State-owned Assets Supervision & Administration Commission of the People's Government of Hebei Province is the controlling shareholder of HPG, therefore, was deemed to be interested in 3,032,528,078 Shares of the Company under the SFO;

2. HPG, the controlling shareholder of Hebei Port Group International (Hong Kong) Co., Ltd., is deemed to be interested in 66,388,500 Shares of the Company under the SFO.

3. In accordance with the Disclosure of Interests Online System of the Stock Exchange, Guo Guangchang (the direct controlling shareholder of Fosun International Holdings Ltd.), Fosun International Holdings Ltd. (the direct controlling shareholder of Fosun Holdings Limited), Fosun Holdings Limited (the direct controlling shareholder of Fosun International Limited) were deemed to be interested in 50,154,000 Shares of the Company respectively under the SFO;

4. China Shipping (Group) Company (direct controlling shareholder of China Shipping (Hong Kong) Holdings Co., Limited) and China Shipping (Hong Kong) Holdings Co., Limited (direct controlling shareholder of China Shipping Ports Development Co., Ltd.) were deemed to be interested in 44,296,500 Shares of the Company respectively under the SFO; and

5. In accordance with the Disclosure of Interests Online System of the Stock Exchange, Fosun International Limited (the direct controlling shareholder of Fosun Financial Holdings Limited), Fosun Financial Holdings Limited (the direct controlling shareholder of Spinel Investment Limited), Spinel Investment Limited (the direct controlling shareholder of Peak Reinsurance Holdings Limited) and Peak Reinsurance Holdings Limited (the direct controlling shareholder of Peak Reinsurance Company Limited) were deemed to be interested in 42,780,000 Shares of the Company respectively under the SFO.

Save as disclosed above, as of 31 December 2018, to the best knowledge of our Directors and Supervisors, none of other persons (other than Directors, Supervisors and senior management of the Company) had, or was deemed to have, any interest or short position in Shares, underlying Shares and debentures of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

Interests and Short Positions of Directors, Supervisors and Chief Executive in Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations

To the best knowledge of our Directors, as of 31 December 2018, none of our Directors, or Supervisors or chief executive and their respective associates had, or was deemed to have, any interest or short position in Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Repurchase, Sales and Redemption of Listed Securities of the Company

During the Year, the Company did not repurchase, sell or redeem any of its Shares.

Public Float

The Stock Exchange has granted the Company a waiver from strict compliance with the requirements of Rule 8.08(1) of the Listing Rules ("**Waiver from Compliance with Public Float Requirement**"). In accordance with the Waiver from Compliance with Public Float Requirement, the Company shall maintain the minimum percentage of public float of at least 15% of our issued share capital. Pursuant to information available for public and as far as Directors are aware, as of the date of this annual report, the Company has maintained the public float in accordance with the Listing Rules and the Waiver from Compliance with Public Float Requirement.

Non-Competition Agreement and Undertaking by the Controlling Shareholder

HPG has made a statement to the Company, during the Year, HPG has complied with the Non-Competition Agreement and Undertaking.

Compliance with Corporate Governance Code

During the relevant period, the Company has continued to improve and optimize its internal control system in order to implement sound corporate governance. The Company has adopted and complied with all applicable provisions of the Corporate Governance Code. For details of compliance with Corporate Governance Code, please refer to the section headed "Corporate Governance Report" in this annual report.

Directors and Supervisors

During the Year and as at the date of this report, the Directors and Supervisors of the Company include:

Executive Directors

Mr. Cao Ziyu
Mr. Yang Wensheng
Mr. Wang Lubiao (resigned on 27 March 2019)
Mr. Ma Xiping

Non-executive Directors

Mr. Liu Guanghai (appointed on 20 December 2018)
Mr. Li Jianping
Mr. Mi Xianwei (resigned on 20 June 2018)
Ms. Xiao Xiang (appointed on 20 June 2018)

Independent Non-executive Directors

Mr. Li Man Choi (resigned on 20 June 2018)
Mr. Zhao Zhen (resigned on 20 June 2018)
Ms. Zang Xiuqing
Mr. Hou Shujun
Mr. Chen Ruihua (appointed on 20 June 2018)
Mr. Xiao Zuhe (appointed on 20 June 2018)

Supervisors

Mr. Nie Yuzhong (resigned on 12 February 2018)
Mr. Meng Bo (appointed on 20 June 2018)
Mr. Bu Zhouqing
Mr. Liu Simang (resigned on 20 June 2018)
Ms. Bian Yingzi (appointed on 20 June 2018)

Employee Representative Supervisors

Mr. Cao Dong
Ms. Chen Linyan

Changes in Directors, Supervisors and Senior Management and Their Details

Changes in Directors, Supervisors and Senior Management during the Year

On 12 February 2018, the below resignation has taken effect:
Mr. Nie Yuzhong resigned as Supervisor and the Chairman of the Supervisory Committee.

On 29 March 2018, Mr. Nie Yuzhong was appointed as the vice president of the Company.

At 2017 AGM held on 20 June 2018, the below resignation has taken effect:
Mr. Mi Xianwei resigned as a Non-executive Director.
Mr. Li Man Choi and Mr. Zhao Zhen resigned as an Independent Non-executive Director.
Mr. Liu Simang resigned as Supervisor.

At 2017 AGM, the Board meeting and meeting of the Supervisory Board held on 20 June 2018, the below resignation has taken effect:
Ms. Xiao Xiang was appointed as a Non-executive Director, a member of Audit Committee and Strategy Committee.
Mr. Chen Ruihua was appointed as an independent Non-executive Director, chairman of Nomination Committee and a member of Strategy Committee.
Mr. Xiao Zuhe was appointed as an independent Non-executive Director and a member of Audit Committee.
Mr. Meng Bo was appointed as chairman of the Supervisory Committee.
Mr. Meng Bo was appointed as a Supervisor.
Ms. Bian Yingzi was appointed as a Supervisor.

At the Extraordinary General Meeting and the Board meeting held on 20 December 2018, Mr. Liu Guanghai was appointed as a non-executive director and vice chairman.

Changes in Directors, Supervisors and Senior Management subsequent to the Year and up to the Date of this Report

On 27 March 2019, the below resignation has taken effect:
Mr. Wang Lubiao resigned as an Executive Director.
Mr. Ma Xiping resigned as the vice president.

On 27 March 2019, Mr. Chen Lixin (陳立新) is appointed as the vice president of the Company.

Save as disclosed in this report, there was no change in any information disclosable and disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the Year.

Service Contracts of Directors and Supervisors

All current Directors have entered into service contracts with the Company for a term of three years commencing from the date of the approval from Shareholders and shall be terminated pursuant to relevant terms of respective contracts.

As at the date of this annual report, none of the Directors and Supervisors of the Company had entered into any service contract with the Company or its subsidiaries which was not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Interests in Contracts of Significance of Directors and Supervisors

During the relevant period, none of Directors and Supervisors was materially interested, directly or indirectly, in any contracts of significance entered into with the Company or its controlling companies or its subsidiaries or subsidiaries of its controlling companies subsisting as at the end of the Year.

Interests of Directors in Businesses Competing with the Company

Other than business of the Group, none of the Directors of the Company 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 is determined by the Remuneration Committee by making reference to the remuneration paid by comparable companies and time commitments and duties of Directors and Supervisors.

Details of remuneration of Directors, Supervisors and the five highest paid individuals in the Year are set out in Note XIII-3 to XIII-4 to the financial statements in this annual report.

Management Contracts

During the Year, the Company did not enter into any contracts with respect to the management or administration of all or any substantial part of our businesses.

Permitted Indemnity Provision

During the Year, the Company has purchased liability insurance valid for the Year for Directors, Supervisors and senior management of the Company.

The Board and Board Committees

Details of the Board and Board committees are set out in the section headed “Corporate Governance Report” in this report.

Material Litigation and Arbitration

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

China Construction Sixth Engineering Division filed a litigation with the Intermediate People's Court of Cangzhou City, Hebei Province, claiming that the project of Huanghua Port Integrated Port Information Center Building (黃驊港綜合港信息中心樓), which was built by it for Cangzhou Bohai Port from early 2010, had been completed by the end of August 2010. In this litigation, China Construction Sixth Engineering Division claims that, Cangzhou Bohai Port shall make a payment of RMB33,864,106.08 to China Construction Sixth Engineering Division for the construction of the abovementioned project and the interest for the construction fee accruing from 1 September 2010 to the actual payment date (which was RMB15,734,075 as at 28 November 2017), and that the litigation fees and property preservation fee shall be borne by Cangzhou Bohai Port. For details, please refer to the announcement on litigation issued by the Company on 31 January 2018.

On 28 June 2018, Cangzhou Bohai Port received a civil judgment (2018 Ji 09 Min Chu No. 91) from the Intermediate People's Court of Cangzhou City, Hebei Province, in which China Construction Sixth Engineering Division's claim was dismissed and proceedings acceptance fee of RMB289,791 shall be borne by China Construction Sixth Engineering Division, the plaintiff. For specific details of the judgment, please refer to the announcement on litigation – latest development dated 29 June 2018 of the Company.

On 14 September 2018, Cangzhou Bohai Port received a subpoena issued by the High People's Court of Hebei Province [Case No.: (2018) Ji Min Zhong No. 869] and a statement of appeal. For details, please refer to the announcement on litigation – latest development dated 18 September 2018 of the Company.

On 17 October 2018, Cangzhou Bohai Port received the civil ruling (2018) Ji Min Zhong No. 869 issued by the High People's Court of Hebei Province, it is ordered that:

1. The civil judgment (2018) Ji Min Chu No. 91 from the Intermediate People's Court of Cangzhou City be revoked;

2. The case be remanded to the Intermediate People's Court of Cangzhou City.

The proceedings acceptance fee of the lawsuit for the second instance of RMB289,791 prepaid by China Construction Sixth Engineering Division shall be returned.

For details, please refer to the announcement on litigation – latest development dated 18 October 2018 of the Company.

So far as the Directors are aware, except the litigation disclosed in the Prospectus and above litigations, the Company was not engaged in any material litigation, arbitration or claim, and no litigation or claim of material importance was pending or threatened against the Company during the Year.

Audit Committee

The Company has established the Audit Committee with written terms of reference in accordance with the provisions of Corporate Governance Code.

Details of the meetings of the Audit Committee are set out in the section headed "Corporate Governance Report" in this report.

Auditors

The Company has appointed Ernst & Young Hua Ming LLP as the auditors of the Company to audit the financial statements for the Year. The Company has not changed its auditors during the past three years.

Business Review, Risk Factors Faced by the Company and Measures

Details of the business review, risk factors faced by the Company and measures are included in the "Management Analysis and Discussion" section in this report. The abovementioned "Management Discussion and Analysis – Major Risk Factors" forms part of this report.

Events after the Reporting Period

Provision for Costs on Employees who Leave their Posts and Wait for Retirement

The "Resolution in relation to the Provision for Costs on Employees who Leave their Posts and Wait for Retirement" was considered and approved at the ninth meeting of the fourth session of the Board of the Company convened on 28 February 2019, pursuant to which, the provision for the costs on employees who leave their posts and wait for retirement will be no more than RMB323 million, and it is expected that the net profit for the year 2019 will decrease by no more than RMB323 million.

External Investment

As considered and approved at the ninth meeting of the fourth session of the Board of the Company convened on 28 February 2019, the Company intends to enter into the "Cooperation Agreement on Construction Project of Phases VI and VII of Coal Terminal in Caofeidian Port Zone of Tangshan Port" with Datong Coal Mine Group Company Limited (hereinafter referred to as "Datong Group") and Caofeidian Port Group Co., Ltd. (hereinafter referred to as "Caofeidian Port Group"), pursuant to which, the parties will jointly fund to establish a joint venture, and to build Phases VI and VII project of Caofeidian Coal Terminal. The registered capital of the joint venture is RMB3 billion, the Company will contribute RMB1.77 billion, and the shareholding of the parties in the joint venture will be 59%, 40% and 1% by the Company, Datong Group and Caofeidian Port Group, respectively. The investment does not constitute a material asset reorganization as stipulated in the Administrative Measures for the Material Asset Reorganization of Listed Companies, and is not subject to the approval by the general meeting, but is still subject to the approval by the competent state-owned assets supervision authority.

Assets Held-for-sale

On 18 January 2019, Caofeidian Coal Port, a subsidiary of the Group, entered into an agreement on compensation for acquisition of state-owned land use rights with Caofeidian Land Reserve Center, and Caofeidian Coal Port has received RMB188 million of reserve fund for land use right on 23 January 2019. On 20 March 2019, the Company entered into the Equity Restructuring Framework Agreement with Coal and Transportation Subsidiary of Zhejiang Energy Group Co Ltd.

Summary of the 2018 Social Responsibility Report

The Company will issue a separate social responsibility report for 2018 in accordance with the requirements of Appendix 27 of the Listing Rules within three months after the publication of this annual report, and the summary of which is as follows.

The Company persistently adheres to the corporate values of "make contributions to the Country, strive for the development of the Company, create the value for customer, fully perform duties for employees", and has actively fulfilled the social responsibility and taken responsibility as a corporate citizen. The Company has set up diversified communication channels to learn the opinions and suggestions of the Company's internal stakeholders including employees and senior management on a regular basis, as well as the feedback and expectations from external stakeholders including the government, customers, suppliers, communities and media. In 2018, the Company continued to issue the questionnaires on sustainable development in order to better understand the views and requirements of the stakeholders, assess the impact of the sustainable development topic on the stakeholders more accurately, and proactively make targeted response.

In 2018, the Company promoted the optimization and adjustment of businesses and gradually achieved the upgrade and transformation of ports, achieved regional synergy development, facilitated the construction of "one Belt, one Road" and facilitated the rapid development of foreign trade business. Meanwhile, the Company put great efforts on developing smart ports and continuously developed the online business hall to open up the "last kilometer" of the port business segment, so as to improve the operational efficiency and provide convenient services to the customers. In addition, the Company actively promoted the establishment of a green port by integrating the concept of environmental protection into every stage of production and operation, comprehensively eliminated the use of coal-fired boilers, and carried out pilot work of the "Bay long-term system" to promote the integration of the port city environment. The Company firmly believes that talents can facilitate the development of the port, therefore the Company is committed to creating a development platform full of innovative vitality and humanistic care for employees, and continuously improving safety management and safety culture construction and creating a safe and healthy working environment for employees. The Company leveraged on its own advantages to carry out various social welfare and poverty alleviation works so as to promote a harmonious coexistence between the Company and the society. For more details on the environmental, social and governance matters of the Company, please refer to the "2018 Corporate Social Responsibility Report of Qinhuangdao Port Co., Ltd." issued by the Company separately, which is available on the Company' s website.

By order of the Board
CAO Ziyu
Chairman

Qinhuangdao, Hebei, PRC
27 March 2019

REPORT OF SUPERVISORY COMMITTEE (SUPERVISORY COMMITTEE OFFICE)

The Supervisory Committee of the Company (the "**Supervisory Committee**") has fully discharged its duty of supervision on the Directors and senior management of the Company in a faithful and diligent manner according to the Company Law, the Articles of Association of the Company, the Rules of Procedures of Meetings of the Supervisory Committee of Qinhuangdao Port Co., Ltd. ("**Rules of Procedures of the Supervisory Committee**") and other applicable laws and regulations, playing a positive role for the regulation and compliance operation of the Company.

Evaluation on the Behavior and Performance of the Board and Senior Management in 2018

The Supervisory Committee is of the view that the Directors and senior management were able to comply with the requirements of the Company Law, Articles of Association of the Company and other applicable laws and regulations to carry out operation. The Directors and senior management of the Company discharged their fiduciary duties in a prudent manner based on the resolutions approved at the general meetings and the resolutions approved and policies formulated by the Board. After supervision and investigation, none of the Directors and senior management of the Company were found to be in breach of the Articles of Association of the Company and other applicable laws and regulations when discharging their duties and none of their acts were found to be detrimental to the interests of the Company or the Shareholders of the Company.

Overview of the Meetings of Supervisory Committee

During the year, six meetings were held by the Supervisory Committee during the Year. Details of the meetings are set out below:

1. On 29 March 2018, the Supervisory Committee held its first meeting for the year. At the meeting, the Resolution on the Report of the Supervisory Committee for 2017(《關於本公司2017年度監事會報告的議案》), the Resolution on the 2017 Annual Report of the Company(《關於本公司2017年年度報告的議案》), the Resolution on the Final Financial Report of the Company for the Year 2017(《關於本公司2017年度財務決算報告的議案》), the Resolution on the Profit Distribution Plan and Declaration of Final Dividend of the Company for 2017(《關於本公司2017年度利潤分配方案及宣派末期股息的議案》), the Resolution on the Internal Control Evaluation Report of the Company for 2017(《關於本公司2017年度內部控制評價報告的議案), the Resolution on the Fixed Assets Investment Plan of the Company for 2018(《關於本公司2018年度固定資產投資計畫的議案》), the Resolution on the Special Report on the Deposit and Actual Use of Funds Raised by the Company in 2017(《關於本公司2017年度募集資金存放與實際使用情況的專項報告的議案》), the Resolution on Changes in Accounting Policies of the Company(《關於本公司會計政策變更的議案》), and the Resolution on Dividend Planning of the Company (2018-2020)(《關於本公司分紅回報規劃(2018-2020年度)的議案》) were considered and approved.

2. On 26 April 2018, the Supervisory Committee held its second meeting for the year. At the meeting, the Resolution on the 2018 First Quarterly Report of the Company(《關於本公司2018年第一季度報告的議案》), and the Resolution on the Election of the supervisors for the fourth session of Supervisory Committee of the Company(《關於選舉本公司第四屆監事會監事的議案》) were considered and approved.

3. On 20 June 2018, the Supervisory Committee held its third meeting for the year. At the meeting, the Resolution on the Election of the Chairman for the fourth session of Supervisory Committee of the Company(《關於選舉本公司第四屆監事會主席的議案》) was considered and approved.

4. On 29 August 2018, the Supervisory Committee held its fourth meeting for the year. At the meeting, the Resolution on the 2018 Interim Report of the Company(《關於本公司2018年半年度報告的議案》) and the Resolution on the Special Report on the Deposit and Actual Use of Funds Raised by the Company in the first half of 2018 (《關於本公司2018年上半年募集資金存放與實際使用情況的專項報告的議案》) were considered and approved.

5. On 29 October 2018, the Supervisory Committee held its fifth meeting for the year. At the meeting, the Resolution on the 2018 Third Quarterly Report of the Company(《關於本公司2018年第三季度報告的議案》) was considered and approved.

6. On 30 November 2018, the Supervisory Committee held its sixth meeting for the year. At the meeting, the Resolution on the Provision for Costs on Employees who Leave Their Posts and Wait For Retirement(《關於計提離崗等退費用的議案》)was considered and approved.

The Supervisory Committee also kept track of the business operation, financial position and performance of the Company through a variety of means in a timely manner to conduct effective supervision on the internal control, financial and major decision-making process of the Company and the performance of duties by the Board and senior management of the Company. Such measures include:

1. to understand and supervise the research on major issues by attending important meetings, such as the Board meetings, general meetings, operation meetings of president, and regular and monthly meetings in relation to administrative affairs.

2. to understand and supervise the operation of the Company through extensive project review and inspection in line with its annual supervision emphasis.

3. to facilitate the active and proper performance of duties by Directors and senior management through supervision on the performance of duties and clear separation of roles of Directors and senior management.

4. to integrate supervision into daily operation with an emphasis on financial, investment and operation aspects so as to promptly respond to any problems identified.

During the Year, compositions and meetings of members of the Supervisory Committee were in compliance with the Company Law, the Articles of Association of the Company, Rules of Procedures of Meetings of the Supervisory Committee and other applicable laws and regulations.

Independent Opinions of the Supervisory Committee on Relevant Issues in Year 2018

(A) Compliance of the Company

During the Year, the operation and decision-making process of the Board of the Company were in compliance with the Company Law, the Articles of Association of the Company and other applicable laws and regulations. The operating results of the Company are objective and true, reflecting its optimal internal control system. The Directors and senior management of the Company carried out the business and management with diligence, prudence and aspiration. None of the Directors and senior management of the Company were found to be in breach of the laws and regulations when discharging their duties and none of their acts were found to be detrimental to the interests of the Company and the Shareholders as a whole.

(B) Financial Position and Annual Report of the Company

The Supervisory Committee duly reviewed and discussed the audited financial statements of the Company for 2018 and considered that it gave an objective, true, reasonable view in compliance with the laws, regulations and the Articles of Association of the Company. It also gave a complete and objective picture of the Company without any false representations, misleading statements or material omissions.

In addition, the Supervisory Committee considered that the preparation of this report was in compliance with the laws, regulations and the Articles of Association of the Company and its disclosure gave a complete and true picture of the operation, management and financial position of the Company during the Year.

(C) Use of Proceeds

In August 2017, the Company issued the A Shares on the SSE and received net proceeds of RMB1.241 billion. The Supervisory Committee of the Company supervised the use of proceeds by the Company, considered the Resolution on the Special Report on the Deposit and Actual Use of Proceeds of the Company in 2018, and confirmed that the actual use of proceeds of the Company was in line with the intended use. During the Reporting Period, no change was made in the actual investment projects of the Company.

The H Shares of the Company has been listed and traded on the Stock Exchange since 12 December 2013. Since the Listing of the Company in December 2013, the use of proceeds from the Global Offering (other than working capital and general corporate purposes) disclosed in the section "Future plans and use of proceeds" in the Prospectus has been completed as planned. The Board of Directors of the Company has resolved to approve the adjustment of unutilized proceeds from the Global Offering to working capital and general corporate purposes. The Supervisory Committee supervised and inspected the use of proceeds from the Global Offering of the Company and believed that the use of proceeds was in compliance with relevant requirements and no misappropriation was found.

(D) Supervision and Review on Connected Transactions

The Supervisory Committee carried out supervision and review on connected transactions (including continuing connected transactions) during the Year. No connected transactions were found to be unfair and detrimental to the interests of the Company and the Shareholders as a whole.

(E) Acquisition and disposal of material assets and external investments

The Supervisory Committee carried out supervision and inspection on the disposal and acquisition of material assets and external investments during the year. None of the above acquisition and disposal of material assets and external investments involved insider trading, were detrimental to the interests of the Company and the Shareholders or resulted in the loss of assets of the Company.

Prospects of the Supervisory Committee for 2019

The Supervisory Committee will further carry out its supervision and inspection duties accountable to all the Shareholders in strict accordance with relevant laws and regulations, the Articles of Association and the Rules of Procedures of the Supervisory Committee of the Company in next year. The Supervisory Committee will continue to safeguard the legal interests of the Company and the Shareholders so as to effectively regulate the operation and development of the Company.

By Order of the Supervisory Committee
MENG Bo
Chairman

AUDITORS' REPORT

Ernst & Young Hua Ming (2019) Shen Zi No. 61063699_E01
Qinhuangdao Port Co., Ltd.

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

I. Audit Opinion

We have audited the financial statements of Qinhuangdao Port Co., Ltd., which comprise the consolidated and Company balance sheet as at 31 December 2018, the consolidated and Company income statement, the statement of changes in equity and the cash flow statement for 2018, and notes to the relevant financial statements.

In our opinion, the financial statements of Qinhuangdao Port Co., Ltd. as attached herewith are prepared in accordance with the provisions of Enterprise Accounting Standards to a material extent, and give a fair view of the financial position of the Group and the Company as at 31 December 2018, and of its financial performance and its consolidated cash flows for 2018.

II. Basis for Audit Opinion

We conducted our audit in accordance with the provisions of the Standards on Auditing for Certified Public Accountants in China. Our responsibilities under those standards are further described in the section of Certified Public Accountants' Responsibilities for the Audit of the Consolidated Financial Statements under this audit report. We are independent of Qinhuangdao Port Co., Ltd. in accordance with the Code of Ethics for Certified Public Accountants in China, and we have fulfilled our other ethical responsibilities accordingly. We believe that the audit evidences we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Key Audit Matters

Audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Set against this background are our responses to these matters and how they are addressed in our audit.

We have performed our responsibilities described in the section of Certified Public Accountants' Responsibilities for the Audit of the Consolidated Financial Statements under this report, which include the liabilities related to these key audit matters. Correspondingly, our audit includes audit procedures designed to assess where there are risks of material misstatement risks for these financial statements. The results deriving from our audit, including the procedures to address the following key audit matters, formed a basis for the audit opinion of the financial statements as a whole.

Ernst & Young Hua Ming (2019) Shen Zi No. 61063699_E01
Qinhuangdao Port Co., Ltd.

Key Audit Matter:	How Our Audit Addressed the Key Audit Matter:
Impairment of fixed assets	
As at 31 December 2018, the carrying amounts of fixed assets as included in the consolidated financial statements were RMB15.630 billion, which had deducted the provision for the impairment of fixed assets of approximately RMB70.77 million. The Management shall judge at the end of the year where there is any evidence of impairment occurred. If there are evidences of impairment, the Management shall estimate its recoverable amount and conduct an impairment test. The impairment test of the fixed assets, to a considerable extent, is relied on the judgement and estimates made by the Management. For example, the future cash flow to be generated from the asset group that such asset is belonged to and the estimate of discount rate. Such estimates are subject to impact on the market in future and the judgement on economic environment. Different estimates and assumptions applied shall have very significant impact on the recoverable amount of the fixed assets.	Our audit procedures are mainly as follows: (1) to assess the reasonableness of the Management's judgment on the indicators of asset impairment, to assess the reasonableness of the methods adopted by the Management on the determination of the asset group that such fixed asset with the indicators of impairment is belonged to and the impairment test on fixed assets to estimate the present value of future cash flows, as well as review the calculation of the present value of future cash flows; (2) to compare the forecast data (the growth rate of revenue and the growth rate of cost and expense) in the impairment test prepared by the Management in the previous year with the actual operation, and pay attention to whether there are significant differences and analyze the main factors causing the differences and the impact on the forecast data in the impairment test for the current year; (3) under the assistance of the internal assessment experts, to review the reasonableness of methods, models and discount rate of the impairment test conducted by the Management; (4) to check the disclosures in relation of note III-19- Asset Impairment, note III-33- Significant Accounting Judgement and Estimates and note V-10 –Fixed Assets and Impairment of Fixed Assets.

Ernst & Young Hua Ming (2019) Shen Zi No. 61063699_E01
Qinhuangdao Port Co., Ltd.

IV. Other Information

The management of Qinhuangdao Port Co., Ltd. are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 responsibilities are 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.

V. Responsibilities of the Management and Those Charged with Governance for the Consolidated Financial Statement

The Management is responsible for the preparation of the financial statements that give a fair view in accordance with the provisions of Enterprise Accounting Standards, and for such internal control as the Management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the ability of Qinhuangdao Port Co., Ltd. to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless under the circumstances of liquidation, cessation of operation or lack of other realistic alternatives.

The Management is responsible for overseeing the financial reporting process of Qinhuangdao Port Co., Ltd.

Ernst & Young Hua Ming (2019) Shen Zi No. 61063699_E01
Qinhuangdao Port Co., Ltd.

VI. Certified Public Accountants' Responsibilities for the Audit of the Consolidated Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from 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 the Standards of Audit 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 the Standards of Auditing, we exercise professional judgment and maintain skepticism throughout the audit. We also:

(1) 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.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

(4) Conclude on the appropriateness of the 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 the ability of Qinhuangdao Port Co., Ltd. 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 the 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 Qinhuangdao Port Co., Ltd. to cease to continue as a going concern.

(5) 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.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Qinhuangdao Port Co., Ltd. to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit.

AUDITORS' REPORT

Ernst & Young Hua Ming (2019) Shen Zi No. 61063699_E01
Qinhuangdao Port Co., Ltd.

We remain solely responsible for our audit opinion. We communicate with the Management 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 those charged with governance 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 those charged with governance, 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.

Ernst & Young Hua Ming LL

Chinese Certified Public Accountant: Wang Tianqing (Project Partner)

Beijing, PRC

Chinese Certified Public Accountant: Zhang Yan

27 March 2019

CONSOLIDATED BALANCE SHEET

31 December 2018
RMB

Assets	Note V	31 December 2018	31 December 2017
Current assets			
Cash and bank balances	1	**2,607,071,907.64**	1,983,285,014.18
Bills receivable and accounts receivable	2	**220,143,567.04**	413,908,521.65
Prepayments		**10,231,550.85**	4,638,406.01
Other receivables	3	**30,259,192.87**	10,373,932.26
Inventories	4	**191,484,116.15**	200,222,526.56
Assets held for sale	5	**193,986,794.76**	–
Other current assets	6	**101,730,209.68**	239,668,328.72
Total current assets		**3,354,907,338.99**	2,852,096,729.38
Non-Current assets			
Available-for-sale financial assets	7	**–**	709,674,267.95
Long-term equity investments	8	**2,715,291,377.24**	2,682,297,961.17
Investments in other equity instruments	9	**730,638,543.63**	–
Fixed assets	10	**15,629,606,304.57**	16,153,724,611.99
Construction in progress	11	**756,714,741.91**	1,151,479,563.41
Intangible assets	12	**2,375,708,363.99**	1,888,306,218.94
Long-term prepaid expenses		**1,182,783.93**	1,858,660.41
Deferred tax assets	13	**277,591,318.38**	202,160,180.82
Other non-current assets	14	**117,550,230.49**	133,236,678.09
Total non-current assets		**22,604,283,664.14**	22,922,738,142.78
Total assets		**25,959,191,003.13**	25,774,834,872.16

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

CONSOLIDATED BALANCE SHEET

31 December 2018
RMB

Liabilities and shareholders' equity	Note V	31 December 2018	31 December 2017
Current liabilities			
Short-term borrowings	16	890,000,000.00	1,300,000,000.00
Bills payable and accounts payable	17	162,505,803.68	218,205,613.84
Advances from customers	18	–	522,476,557.70
Contract liabilities	19	493,959,950.74	–
Employee benefits payable	20	453,048,065.29	343,059,198.72
Taxes payable	21	208,865,299.36	101,926,736.87
Other payables	22	1,346,007,940.53	1,261,299,757.25
Non-current liabilities due within one year	23	403,724,000.00	333,924,000.00
Total current liabilities		3,958,111,059.60	4,080,891,864.38
Non-current liabilities			
Long-term borrowings	24	6,138,966,492.98	6,490,490,492.98
Long-term payable	25	238,800,000.00	239,200,000.00
Long-term employee benefits payable	26	319,011,081.78	48,654,080.25
Provisions	27	33,860,000.00	33,860,000.00
Deferred income	28	276,743,438.31	311,182,677.12
Deferred income tax liabilities	13	5,241,068.91	–
Total non-current liabilities		7,012,622,081.98	7,123,387,250.35
Total liabilities		10,970,733,141.58	11,204,279,114.73
Shareholders' equity			
Share capital	29	5,587,412,000.00	5,587,412,000.00
Capital reserve	30	5,202,818,808.47	5,203,519,979.32
Other comprehensive income	31	(1,091,254.83)	1,702,929.18
Special reserve	32	80,726,967.97	51,433,165.56
Surplus reserve	33	1,235,538,930.68	1,140,530,908.83
Retained profit	34	1,789,566,768.00	1,420,731,065.74
Total equity attributable to shareholders of the parent		13,894,972,220.29	13,405,330,048.63
Minority interests		1,093,485,641.26	1,165,225,708.80
Total shareholders' equity		14,988,457,861.55	14,570,555,757.43
Total liabilities and shareholders' equity		25,959,191,003.13	25,774,834,872.16

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

The financial statements have been signed by:

Legal representative:	Person in charge of Business operation:	Chief financial officer:	Head of accounting department:
Cao Ziyu	Yang Wensheng	Guo Xikun	Xie Hui

CONSOLIDATED INCOME STATEMENT

2018
RMB

	Note V	2018	2017
Revenue	35	**6,876,632,377.63**	7,032,667,734.78
Less: Operating costs	35	**4,019,047,390.38**	4,527,385,217.66
Tax and surcharges	36	**361,644,725.14**	97,546,412.67
Selling expenses		**21,681.76**	77,043.14
Administrative expenses	37	**1,230,646,109.40**	937,547,430.10
Research and development expenses	38	**11,574,245.20**	11,903,624.66
Financial costs	39	**316,205,582.88**	356,734,890.29
Including: Interest expenses		**348,220,298.63**	381,082,068.56
Interest income		**30,659,370.91**	37,548,241.19
Asset impairment loss	40	**72,791,190.61**	29,331,904.81
Impairment loss of credit	41	**(20,096,411.46)**	–
Add: Other income	42	**38,531,006.44**	74,930,976.22
Investment income	43	**86,105,614.62**	118,805,287.90
Including: investment income from associates and joint ventures		**72,720,649.20**	101,250,625.55
Asset disposal income	44	**3,810,534.08**	(4,187,213.00)
Operating profits		**1,013,245,018.86**	1,261,690,262.57
Add: Non-operating income	45	**18,279,150.95**	9,262,979.82
Less: Non-operating expenses	46	**3,338,879.08**	41,172,237.79
Total profit		**1,028,185,290.73**	1,229,781,004.60
Less: Income tax expenses	48	**334,513,186.16**	328,566,667.37
Net profit		**693,672,104.57**	901,214,337.23
Classified by business continuity			
Net profit from continuing operations		**693,672,104.57**	901,214,337.23
Classified by ownership			
Net profit attributable to shareholders of the parent		**810,263,268.11**	962,970,848.73
Minority interests		**(116,591,163.54)**	(61,756,511.50)

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

CONSOLIDATED INCOME STATEMENT

2018
RMB

	Note V	2018	2017
Other comprehensive income, net of tax			
Other comprehensive income attributable to the shareholders of the parent, net of tax	31		
Other comprehensive income that cannot be reclassified to profit or loss			
Changes in fair value of investment in other equity instruments		**(169,444,676.49)**	–
Other comprehensive income that may be reclassified to profit or loss			
Other comprehensive income that may be transferred into the profit and loss under the equity method		**(14,701.42)**	15,001.80
Exchange differences on translation of financial statements in foreign currencies		**2,032,603.16**	(2,935,719.18)
Total comprehensive income attributable to minority shareholders, net of tax	31	**(8,482,745.46)**	–
Total comprehensive income		**517,762,584.36**	898,293,619.85
Including:			
Total comprehensive income attributable to the shareholders of the parent		**642,836,493.36**	960,050,131.35
Total comprehensive income attributable to minority shareholders		**(125,073,909.00)**	(61,756,511.50)
Earnings per share	49		
Basic and diluted earnings per share		**0.15**	0.18

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2018
RMB

2018

	Note V	Equity attributable to shareholders of the parent								
		Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Sub-total	Minority interests	Total shareholders' equity
I. Previous year's closing balance		5,587,412,000.00	5,203,519,979.32	1,702,929.18	51,433,165.56	1,140,530,908.83	1,420,731,065.74	13,405,330,048.63	1,165,225,708.80	14,570,555,757.43
Add: Changes in Accounting Policies		-	-	164,632,590.74	-	-	-	164,632,590.74	29,018,037.98	193,650,628.72
II. Current year's opening balance		5,587,412,000.00	5,203,519,979.32	166,335,519.92	51,433,165.56	1,140,530,908.83	1,420,731,065.74	13,569,962,639.37	1,194,243,746.78	14,764,206,386.15
III. Changes during the year										
(I) Total comprehensive income										
1. Net profit		-	-	-	-	-	810,263,268.11	810,263,268.11	(116,591,163.54)	693,672,104.57
2. Other comprehensive income		-	-	(167,426,774.75)	-	-	-	(167,426,774.75)	(8,482,745.46)	(175,909,520.21)
(II) Contributions from Shareholders										
1. Capital injection to subsidiaries		-	(701,170.85)	-	-	-	-	(701,170.85)	25,201,170.85	24,500,000.00
(III) Profit distribution										
1. Appropriation to Surplus reserves		-	-	-	-	95,008,021.85	(95,008,021.85)	-	-	-
2. Distribution to Shareholders	34	-	-	-	-	-	(346,419,544.00)	(346,419,544.00)	(1,565,000.00)	(347,984,544.00)
(IV) Special reserve										
1. Accrual		-	-	-	73,384,419.47	-	-	73,384,419.47	2,483,762.41	75,868,181.88
2. Usage		-	-	-	(44,090,617.06)	-	-	(44,090,617.06)	(1,804,129.78)	(45,894,746.84)
IV. Current year's closing balance		5,587,412,000.00	5,202,818,808.47	(1,091,254.83)	80,726,967.97	1,235,538,930.68	1,789,566,768.00	13,894,972,220.29	1,093,485,641.26	14,988,457,861.55

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2018
RMB

2017

	Note V	Equity attributable to shareholders of the parent								
		Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Sub-total	Minority interests	Total shareholders equity
I. Current year's opening balance		5,029,412,000.00	4,506,377,828.61	4,623,646.56	18,615,022.77	1,044,974,250.76	832,687,475.08	11,436,690,223.78	1,228,962,354.92	12,665,652,578.70
II. Changes during the year										
(I) Total comprehensive income										
1. Net profit		–	–	–	–	–	962,970,848.73	962,970,848.73	(61,756,511.50)	901,214,337.23
2. Other comprehensive income		–	–	(2,920,717.38)	–	–	–	(2,920,717.38)	–	(2,920,717.38)
(II) Contributions from Shareholders										
1. Issue A shares to raise funds		558,000,000.00	747,720,000.00	–	–	–	–	1,305,720,000.00	–	1,305,720,000.00
2. Related expenses of A shares issuance			(50,577,849.29)	–	–	–	–	(50,577,849.29)	–	(50,577,849.29)
(III) Profit distribution										
1. Appropriation to Surplus reserves		–	–	–	–	95,556,658.07	(95,556,658.07)	–	–	–
2. Distribution to Shareholders	34	–	–	–	–	–	(279,370,600.00)	(279,370,600.00)	(3,788,190.94)	(283,158,790.94)
(IV) Special reserve										
1. Accrual		–	–	–	56,552,248.32	–	–	56,552,248.32	2,239,579.46	58,791,827.78
2. Usage		–	–	–	(23,734,105.53)	–	–	(23,734,105.53)	(431,523.14)	(24,165,628.67)
III. Current year's closing balance		5,587,412,000.00	5,203,519,979.32	1,702,929.18	51,433,165.56	1,140,530,908.83	1,420,731,065.74	13,405,330,048.63	1,165,225,708.80	14,570,555,757.43

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

CONSOLIDATED STATEMENT OF CASH FLOWS

2018
RMB

	Note V	2018	2017
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		**7,433,026,902.98**	7,387,006,004.59
Cash received relating to other operating activities	50	**49,960,319.69**	140,707,846.11
Sub-total of cash inflows		**7,482,987,222.67**	7,527,713,850.70
Cash paid for goods and services		**1,516,739,419.94**	1,597,886,457.22
Cash paid to and on behalf of employees		**2,056,326,482.10**	1,993,342,029.69
Cash paid for all taxes		**900,422,180.91**	563,954,108.30
Cash paid relating to other operating activities	50	**312,295,792.96**	469,283,431.36
Sub-total of cash outflows		**4,785,783,875.91**	4,624,466,026.57
Net cash flows from operating activities	51	**2,697,203,346.76**	2,903,247,824.13
II. Cash flows from investing activities			
Cash received from return of investment		**828,138,360.00**	1,133,012,000.00
Cash received from investment income		**71,893,088.42**	90,313,106.33
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**12,501,762.23**	112,054,526.78
Net cash received from disposal of intangible and other business units	51	**–**	502,800,771.43
Cash received relating to other investing activities	50	**1,068,900.00**	215,280.00
Sub-total of cash inflows		**913,602,110.65**	1,838,395,684.54
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		**454,037,227.00**	1,173,879,676.54
Cash paid for investments		**336,168,400.00**	2,351,054,160.00
Cash paid relating to other operating activities	50	**193,817,881.08**	–
Sub-total of cash outflows		**984,023,508.08**	3,524,933,836.54
Net cash flows from investing activities		**(70,421,397.43)**	(1,686,538,152.00)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

2018
RMB

	Note V	2018	2017
III. Cash flows from financing activities			
Cash received from capital contribution		**24,500,000.00**	1,305,720,000.00
Including: cash received from minority shareholders by subsidiaries		**24,500,000.00**	–
Cash received from borrowings		**950,000,000.00**	2,503,954,784.48
Sub-total of cash inflows		**974,500,000.00**	3,809,674,784.48
Cash paid for repayments of borrowings		**1,641,724,000.00**	4,655,442,748.48
Cash paid for distribution of dividends or profits and for interest expenses		**980,742,284.90**	441,368,351.97
Including: dividends paid to minority shareholders by subsidiaries		**1,565,000.00**	3,788,190.94
Cash paid relating to other financing activities	50	**–**	64,470,849.53
Sub-total of cash outflow		**2,622,466,284.90**	5,161,281,949.98
Net cash flows from financing activities		**(1,647,966,284.90)**	(1,351,607,165.50)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		**6,511,407.95**	(15,761,534.01)
V. Net increase/(decrease) in cash and cash equivalents		**985,327,072.38**	(150,659,027.38)
Add: Balance of cash and cash equivalents at the beginning of the year		**999,146,654.18**	1,149,805,681.56
VI. Balance of cash and cash equivalents at the end of the year	51	**1,984,473,726.56**	999,146,654.18

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

COMPANY BALANCE SHEET

31 December 2018
RMB

Assets	Note XIV	31 December 2018	31 December 2017
Current assets			
Cash and bank balances		**1,751,209,101.92**	1,249,762,709.96
Bills receivable and accounts receivable	1	**139,088,858.30**	369,500,751.77
Prepayments		**689,210.73**	1,285,514.37
Other receivables		**19,514,013.44**	731,040.95
Inventories		**142,299,917.02**	162,967,355.89
Assets held for sale		**5,910,500.00**	–
Other current assets		**7,787,215.86**	30,638,550.66
Total current assets		**2,066,498,817.27**	1,814,885,923.60
Non-current assets			
Available-for-sale financial assets	2	**–**	562,752,357.95
Long-term equity investments	3	**9,075,238,002.32**	8,180,726,534.03
Investments in Other equity instruments	4	**527,838,286.62**	–
Fixed assets		**4,391,487,061.23**	4,757,871,272.34
Construction in progress		**14,588,051.67**	84,151,765.68
Intangible assets		**387,203,686.27**	396,678,446.95
Deferred tax assets		**255,860,388.65**	175,041,813.81
Other non-current assets		**928,125.10**	821,218,028.70
Total non-current assets		**14,653,143,601.86**	14,978,440,219.46
Total assets		**16,719,642,419.13**	16,793,326,143.06

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

COMPANY BALANCE SHEET

31 December 2018
RMB

Liabilities and shareholders' equity	31 December 2018	31 December 2017
Current liabilities		
Short-term borrowings	750,000,000.00	1,300,000,000.00
Bills payable and accounts payable	89,904,379.61	162,595,046.29
Deposits received	–	470,419,061.59
Contract liabilities	405,413,878.13	–
Employee benefits payable	430,964,013.88	336,748,093.99
Taxes payable	160,070,135.27	100,070,951.15
Other payables	94,273,050.19	436,196,277.26
Non-current liabilities due within one year	400,000.00	400,000.00
Total current liabilities	1,931,025,457.08	2,806,429,430.28
Non-current liabilities		
Long-term payable	238,800,000.00	239,200,000.00
Long-term employee benefits payable	282,291,821.26	48,654,080.25
Deferred income	276,743,438.31	311,182,677.12
Total non-current liabilities	797,835,259.57	599,036,757.37
Total liabilities	2,728,860,716.65	3,405,466,187.65
Shareholders' equity		
Share capital	5,587,412,000.00	5,587,412,000.00
Capital reserve	5,197,336,468.67	5,197,336,468.67
Other comprehensive income	(26,185,253.11)	15,001.80
Special reserve	63,494,074.77	38,032,747.30
Surplus reserve	1,235,400,585.91	1,140,392,564.06
Retained profit	1,933,323,826.24	1,424,671,173.58
Total shareholders' equity	13,990,781,702.48	13,387,859,955.41
Total liabilities and shareholders' equity	16,719,642,419.13	16,793,326,143.06

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

COMPANY INCOME STATEMENT

2018
RMB

	Note XIV	2018	2017
Revenue	5	**5,026,635,942.55**	5,307,645,488.22
Less: Operating costs	5	**2,600,531,539.01**	3,254,415,439.04
Business tax and surcharges		**226,268,590.98**	82,163,129.55
Administrative expenses		**1,033,945,647.35**	765,360,911.43
Research and development cost		**11,574,245.20**	11,903,624.66
Financial costs		**17,604,003.73**	76,369,555.71
Including: interest expense		**39,744,560.44**	85,164,188.28
interest income		**18,039,745.55**	22,190,361.77
Asset impairment loss		**72,791,190.61**	31,006,630.38
Credit impairment loss		**(21,412,287.00)**	–
Add: other income		**36,992,184.59**	65,615,065.13
Investment income	6	**123,361,401.42**	105,761,686.79
Including: investment income from associates and joint ventures		**69,926,401.42**	103,241,686.79
Gains from the disposal of assets		**3,851,478.85**	–
Operating profits		**1,249,538,077.53**	1,257,802,949.37
Add: Non-operating income		**12,934,405.48**	7,885,310.60
Less: Non-operating expenses		**3,071,866.69**	5,349,397.06
Total profit		**1,259,400,616.32**	1,260,338,862.91
Less: Income tax expenses		**309,320,397.81**	304,772,282.19
Net profit		**950,080,218.51**	955,566,580.72
Including: Net profit from continuing operations		**950,080,218.51**	955,566,580.72
Other comprehensive income, net of tax			
Other comprehensive income not to be reclassified to profit or loss			
Changes in fair value of investments in other equity instruments		**(160,615,696.53)**	–
Those other comprehensive income to be reclassified into profit or loss			
Other comprehensive income to be taken to profit or loss using the equity method		**(14,701.42)**	15,001.80
Total comprehensive income		**789,449,820.56**	955,581,582.52

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

COMPANY STATEMENT OF CHANGES IN EQUITY

2018
RMB

2018

	Share capita	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total shareholders' equity
I. Previous year's closing balance	5,587,412,000.00	5,197,336,468.67	15,001.80	38,032,747.30	1,140,392,564.06	1,424,671,173.58	13,387,859,955.41
Add: Changes in Accounting Policies	–	–	134,430,143.04	–	–	–	134,430,143.04
II. Current year's opening balance	5,587,412,000.00	5,197,336,468.67	134,445,144.84	38,032,747.30	1,140,392,564.06	1,424,671,173.58	13,522,290,098.45
III. Changes during the year							
(I) Total comprehensive income							
1. Net profit	–	–	–	–	–	950,080,218.51	950,080,218.51
2. Other comprehensive income	–	–	(160,630,397.95)	–	–	–	(160,630,397.95)
(II) Profit distribution							
1. Appropriation to surplus reserves	–	–	–	–	95,008,021.85	(95,008,021.85)	–
2. Distribution to shareholders	–	–	–	–	–	(346,419,544.00)	(346,419,544.00)
(III) Special reserve							
1. Accrual	–	–	–	56,751,252.53	–	–	56,751,252.53
2. Usage	–	–	–	(31,289,925.06)	–	–	(31,289,925.06)
IV. Current year's closing balance	5,587,412,000.00	5,197,336,468.67	(26,185,253.11)	63,494,074.77	1,235,400,585.91	1,933,323,826.24	13,990,781,702.48

2017

	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Totals shareholders' equity
I. Current year's opening balance	5,029,412,000.00	4,500,194,317.96	–	17,813,244.99	1,044,835,905.99	844,031,850.93	11,436,287,319.87
II. Changes during the year							
(I) Total comprehensive income							
1. Net profit	–	–	–	–	–	955,566,580.72	955,566,580.72
2. Other comprehensive income	–	–	15,001.80	–	–	–	15,001.80
(II) Contributions from Shareholders							
1. Issue A shares to raise funds	558,000,000.00	747,720,000.00	–	–	–	–	1,305,720,000.00
2. related expenses of A shares issuance	–	(50,577,849.29)	–	–	–	–	(50,577,849.29)
(III) Profit distribution							
1. Appropriation to surplus reserves	–	–	–	–	95,556,658.07	(95,556,658.07)	–
2. Distribution to shareholders	–	–	–	–	–	(279,370,600.00)	(279,370,600.00)
(IV) Special reserve							
1. Accrual	–	–	–	41,110,722.95	–	–	41,110,722.95
2. Usage	–	–	–	(20,891,220.64)	–	–	(20,891,220.64)
III. Current year's closing balance	5,587,412,000.00	5,197,336,468.67	15,001.80	38,032,747.30	1,140,392,564.06	1,424,671,173.58	13,387,859,955.41

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

COMPANY STATEMENT OF CASH FLOWS

2018
RMB

	2018	2017
I. Cash flows from operating activities		
Cash received from sales of goods or rendering of services	**5,492,347,241.96**	5,476,607,880.79
Cash received relating to other operating activities	**25,555,134.05**	74,827,136.31
Sub-total of cash inflows	**5,517,902,376.01**	5,551,435,017.10
Cash paid for goods and services	**1,006,270,940.33**	1,049,402,834.32
Cash paid to and on behalf of employees	**1,802,219,911.88**	1,779,256,732.43
Cash paid for all taxes	**699,317,444.06**	472,239,919.92
Cash paid relating to other operating activities	**257,852,296.44**	389,215,351.77
Sub-total of cash outflows	**3,765,660,592.71**	3,690,114,838.44
Net cash flows from operating activities	**1,752,241,783.30**	1,861,320,178.66
II. Cash flows from investing activities		
Cash received from return of investment	**763,838,360.00**	550,000,000.00
Cash received from investment income	**109,435,000.00**	89,001,143.20
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	**12,397,821.14**	6,367,499.33
Cash received relating to other investing activities	**–**	215,280.00
Sub-total of cash inflows	**885,671,181.14**	645,583,922.53
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	**96,237,510.59**	337,978,133.87
Cash paid for investments	**464,668,400.00**	2,444,500,436.82
Sub-total of cash outflows	**560,905,910.59**	2,782,478,570.69
Net cash flows from investing activities	**324,765,270.55**	(2,136,894,648.16)

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

COMPANY STATEMENT OF CASH FLOWS

2018
RMB

	2018	2017
III. Cash flows from financing activities		
Cash received from capital contribution	–	1,305,720,000.00
Cash received from borrowings	**750,000,000.00**	1,800,000,000.00
Sub-total of cash inflows	**750,000,000.00**	3,105,720,000.00
Cash paid for repayments of borrowings	**1,300,000,000.00**	2,570,000,000.00
Cash paid for distribution of dividends or profits and for interest expenses	**666,141,853.41**	86,148,173.63
Cash paid relating to other financing activities	–	64,470,849.53
Sub-total of cash outflow	**1,966,141,853.41**	2,720,619,023.16
Net cash flows from financing activities	**(1,216,141,853.41)**	385,100,976.84
IV. Effect of foreign exchange rate changes on cash and cash equivalents	**4,419,551.52**	(13,120,162.01)
V. Net increase in cash and cash equivalents	**865,284,751.96**	96,406,345.33
Add: Balance of cash and cash equivalents at the beginning of the year	**385,924,349.96**	289,518,004.63
VI. Balance of cash and cash equivalents at the end of the year	**1,251,209,101.92**	385,924,349.96

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

I. General Information

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

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

The parent and ultimate parent of the Group is Hebei Port Group Co., Ltd. ("HPG"), which was established in the People's Republic of China.

These financial statements have been approved by the board of directors of the Company by resolutions on 27 March 2019.

The consolidation scope of these consolidated financial statements is determined on the basis of control, and the consolidation scope in the current year is consistent with that of the previous year.

II. Basis of Preparation of Financial Statements

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises-Basic Standard and specific accounting standards, implementation guidance, interpretations and other relevant provisions issued and amended subsequently by the Ministry of Finance (collectively referred to as "Accounting Standards for Business Enterprises").

As of 31 December 2018, the Group's current liabilities amounted to approximately RMB603 million. In preparing the financial statements, the management have fully considered the Group's sources of liquidity, and believe that adequate funding is available to fulfil the Group's debt obligations and capital expenditure requirements. Accordingly, the financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

These financial statements have been prepared under the historical cost convention (other than certain financial instruments). Those disposal group classified as held for sale have been presented as the lower amount of the carrying value and the fair value less the net amount after disposal expenses. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant rules.

III. Major Accounting Policies and Accounting Estimates

The Group adopts specific accounting policies and accounting estimates according to the actual production and management features, which include provision for bad debt of receivables, accounting method for inventories, provision for fixed assets depreciation, intangible assets amortization, long-term equity investment impairment provisions and recognition and measurement of revenue.

1. Statement of Compliance with Accounting Standards for Business Enterprises

These financial statements are prepared in accordance with the Accounting Standards for Business Enterprises and present fairly and fully the financial position of the Company and the Group as at 31 December 2018 and their financial performance and cash flows for 2018.

2. Accounting Period

The accounting year for the Group is from 1 January to 31 December of each calendar year.

3. Functional Currency

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

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

4. Business Combinations

Business combinations are classified into business combinations under common control and business combinations not under common control.

Business combinations under common control

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

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

III. Major Accounting Policies and Accounting Estimates (continued)

4. Business Combinations (continued)

Business combinations not under common control

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

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

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

5. Consolidated Financial Statements

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

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

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

III. Major Accounting Policies and Accounting Estimates (continued)

5. Consolidated Financial Statements (continued)

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

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

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

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

6. Classifications of Joint Arrangement and Joint Operations

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

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

7. Cash and Cash Equivalents

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

III. Major Accounting Policies and Accounting Estimates (continued)

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

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

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

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

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

9. Financial instruments (applicable from 1 January 2018)

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

Recognition and derecognition of financial instruments

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

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

(1) the rights to receive cash flows from the financial asset have expired;

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

III. Major Accounting Policies and Accounting Estimates (continued)

9. Financial instruments (applicable from 1 January 2018) (continued)

Recognition and derecognition of financial instruments (continued)

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

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

Classification and measurement of financial assets

The Group classifies its financial assets on initial recognition, based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, as the financial assets measured at fair value through profit or loss, amortised cost and fair value through other comprehensive income. A financial asset is recognised initially at fair value. However, if the accounts receivable or notes receivable generated from the sale of goods or the provision of services do not include significant financing components or do not consider financing components not exceeding one year, the initial measurement is based on the transaction price.

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

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

Debt instrument investment measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost if the financial assets meet the following conditions: The Group's business model for managing the financial assets is to collect contractual cash flows; the contractual terms of the financial assets stipulate that cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount. The interest income from such financial assets is recognized using the effective interest method. The gains or losses arising from derecognition, modification or impairment of such assets are recognised in profit or loss for the current period. Such financial assets mainly include monetary funds, accounts receivable and notes receivable, and other receivables.

III. Major Accounting Policies and Accounting Estimates (continued)

9. Financial instruments (applicable from 1 January 2018) (continued)

Classification and measurement of financial assets (continued)

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

Debt instrument investment at fair value through other comprehensive income

Financial assets that meet the following conditions are classified as financial assets at fair value through other comprehensive income: the financial asset is held by the Group within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; the contractual terms of the financial assets stipulate that cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount. The interest income from such financial assets is recognized using the effective interest method. Except for interest income, impairment losses and exchange differences, which are recognised in profit or loss for the period, other changes in fair value are included in other comprehensive income. When the financial assets are derecognised, accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income and recognised in profit or loss for the current period. Such financial assets are presented as other debt investments. Other debt investments due within one year from the balance sheet date are presented as non-current assets due within one year, and other debt investments with an original maturity date of less than one year are presented as other current assets.

Equity instrument investment at fair value through other comprehensive income

The Group irrevocably chooses to designate certain non-tradable equity instrument investments as financial assets that are measured at fair value through other comprehensive income. The related dividend income (except for dividend income recovered as part of the investment cost) is only recognised in profit or loss for the current period. Subsequent changes in fair value are included in other comprehensive income and no impairment provision is required. When the financial assets are derecognised, accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income and recognised in retained earnings. Such financial assets are presented as other equity investments.

A financial asset held for trading is the financial asset that meets one of the following conditions: the financial asset is obtained for the main purpose of selling or repurchasing it in a short term; the financial asset is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits; the financial asset is a derivative, except for a derivative that is designated as an effective hedging instrument or constitutes financial guarantee contracts.

Financial assets measured at fair value through profit or loss

The above-mentioned financial assets other than those measured at amortised cost and measured at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. For such financial assets, fair value is used for subsequent measurement, and all changes in fair value are recognised in profit or loss for the current period. Such financial assets are presented as financial assets held for trading, and financial assets that are due more than one year from the balance sheet date and are expected to be held for more than one year are presented as other non-current financial assets.

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

III. Major Accounting Policies and Accounting Estimates (continued)

9. Financial instruments (applicable from 1 January 2018) (continued)

Classification and measurement of financial liabilities

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

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading (including derivatives that are financial liabilities) and those designated upon initial recognition at fair value through profit or loss.

A financial liability held for trading is the financial liability that meets one of the following conditions: the financial liability is assumed for the main purpose of selling or repurchasing it in a short term; the financial liability is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits; the financial liability is a derivative, except for a derivative that is designated as an effective hedging instrument, or constitute a financial guarantee contract. For financial liabilities held for trading (including derivatives that are financial liabilities), fair values are adopted for subsequent measurement. Except for those related to hedge accounting, all changes in fair value are recognised in profit or loss for the current period.

Other financial liabilities

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

Impairment of financial instruments

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

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

III. Major Accounting Policies and Accounting Estimates (continued)

9. Financial instruments (applicable from 1 January 2018) (continued)

Impairment of financial assets (continued)

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

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

In addition to the measurement of financial assets using a simplified measurement method as described above, the Group also assesses at each balance sheet date whether its credit risk has increased significantly since the initial recognition. If the credit risk has not increased significantly since the initial recognition, it is in the first stage, and the Group measures provision for losses based on the amount of expected credit loss over the next 12 months and calculates the interest income according to the book balance and the actual interest rate. If the credit risk has increased significantly since the initial recognition but the credit impairment has not occurred, it is in the second stage, and the Group measures loss provisions based on the amount of expected credit losses for the entire duration of the life and calculates the interest income according to the book balance and the actual interest rate. If the credit impairment occurs after the initial recognition, it is in the third stage, and the Group measures loss provisions based on the amount of expected credit losses for the entire duration of the life and calculates the interest income according to the amortized cost and the actual interest rate. For financial instruments with only low credit risk on the balance sheet date, the Group assumes that its credit risk has not increased significantly since the initial recognition.

Expected credit losses of financial instruments are assessed on an individual basis and group basis. The Group considered the credit risk characteristics of different customers and assessed the expected credit losses of the receivables based on the age group.

In assessing expected credit losses, the Group considers reasonable and evidenced information about past events, current conditions and future economic forecasts.

The Group's criteria for judging the significant increase in credit risk, the definition of assets with credit impairment, and the assumption of expected credit loss measurement are disclosed in Note VIII. 3.

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

Offsetting of financial instruments

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

III. Major Accounting Policies and Accounting Estimates (continued)

9. Financial instruments (applicable from 1 January 2018) (continued)

Transfers of financial assets

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

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

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

10. Financial Instruments (applicable for 2017)

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

Recognition and derecognition of financial instruments

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

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

(1) the rights to receive cash flows from the financial asset have expired;

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

III. Major Accounting Policies and Accounting Estimates (continued)

10. Financial Instruments (applicable for 2017) (continued)

Recognition and derecognition of financial instruments (continued)

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

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

Classification and measurement of financial assets

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

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

Financial assets at fair value through profit or loss

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

III. Major Accounting Policies and Accounting Estimates (continued)

10. Financial Instruments (applicable for 2017) (continued)

Classification and measurement of financial assets (continued)

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

Held-to-maturity investments

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

Loans and receivables

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

Available-for-sale financial assets

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

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

Classification and measurement of financial liabilities

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

III. Major Accounting Policies and Accounting Estimates (continued)

10. Financial Instruments (applicable for 2017) (continued)

Classification and measurement of financial liabilities (continued)

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

Financial liabilities at fair value through profit or loss

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

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

Other financial liabilities

Such kind of financial liabilities are subsequently measured at amortized cost by using the effective interest method.

Impairment of financial assets

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

III. Major Accounting Policies and Accounting Estimates (continued)

10. Financial Instruments (applicable for 2017) (continued)

Impairment of financial assets (continued)

Financial assets carried at amortized cost

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

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

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

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

III. Major Accounting Policies and Accounting Estimates (continued)

10. Financial Instruments (applicable for 2017) (continued)

Impairment of financial assets (continued)

Financial assets carried at cost

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

Offsetting of financial instruments

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

Transfers of financial assets

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

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

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

III. Major Accounting Policies and Accounting Estimates (continued)

11. Receivables

The recognition standards and provision methods of allowance for bad debt of receivables of the Group in 2017 are as follows:

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

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

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

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

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

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

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

For details about the recognition standards and provision methods of allowance for bad debt of receivables of the Group since 1 January 2018, please refer to Note III-9.

III. Major Accounting Policies and Accounting Estimates (continued)

12. Inventories

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

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

The Group adopts perpetual inventory system.

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

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

13. Non-current assets or disposal groups held for sale

A non-current asset or disposal group is classified as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuous use. Noncurrent assets or disposal groups are classified as held for sale only when the following conditions are satisfied: according to the practice of disposing this type of assets or disposal groups in similar transactions, the non-current asset or disposal group is available for immediate sale in its present condition; the sale will likely occur as the enterprise has made a resolution in respect of a disposal plan and obtained a firm purchase commitment, and the sale is expected to be completed within one year (and approval has been obtained by the enterprise where approval of the sale is required from relevant competent authorities or regulatory bodies in accordance with relevant regulations). If sale of any investment in a subsidiary will result in the loss of control over the respective subsidiary, whether or not any part of the equity investments is retained after the sale, the investment in subsidiary is classified as held for sale in the respective financial statements, and all assets and liabilities of the subsidiary shall be classified as held for sale in the consolidated financial statements.

For a non-current asset or disposal group classified as held for sale (other than financial assets, deferred income tax assets), its carrying amount is written down to its fair value less costs to sell if its carrying amount is higher than its fair value less costs to sell. The reduced amount is recognised as asset impairment loss and charged to current profit or loss, with provision made for the impairment of the held-for-sale assets. No depreciation or amortisation is provided for a non-current asset in the non-current assets or disposal groups held for sale.

III. Major Accounting Policies and Accounting Estimates (continued)

14. Long-term Equity Investments

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

Long-term equity investments were initially recorded at initial investment cost on acquisition. For long-term equity investments acquired through the business combination of entities under common control, the initial investment cost shall be the share of carrying value of the owners' equity of the merged party at the date of combination as stated in the consolidated financial statements of the ultimate controlling party. Any difference between the initial investment cost and the carrying value of the consideration for the combination shall be dealt with by adjusting the capital reserve (if the capital reserve is insufficient for setting off the difference, such difference shall be further set off against retained profits). Upon disposal of the investment, other comprehensive income prior to the date of combination shall be dealt with on the same basis as if the relevant assets or liabilities were disposed of directly by the investee. Shareholders' equity recognized as a result of changes in shareholders' equity other than the net profits or losses, other comprehensive income and profit allocation of the investee shall be transferred to current profit and loss upon disposal of the investment. Items which remain long-term equity investments after the disposal shall be accounted for on a pro-rata basis, while items reclassified as financial instruments following the disposal shall be accounted for in full. For long-term equity investments acquired through the business combination of entities not under common control, the initial investment cost shall be the cost of combination (for business combinations of entities not under common control achieved in stages through multiple transactions, the initial investment cost shall be the sum of the carrying value of the equity investment in the acquired party held prior to the date of acquisition and new investment cost incurred as at the date of acquisition). The cost of combination shall be the sum of assets contributed by the acquiring party, liabilities incurred or assumed by the acquiring party and the fair value of equity securities issued. Upon disposal of the investment, other comprehensive income recognized under the equity method held prior to the date of acquisition shall be dealt with on the same basis as if the relevant assets or liabilities were disposed of directly by the investee. Shareholders' equity recognized as a result of changes in shareholders' equity other than the net profits or losses, other comprehensive income and profit allocation of the investee shall be transferred to retained profits upon disposal of the investment. Items which remain long-term equity investments after the disposal shall be accounted for on a pro-rata basis, while items reclassified as financial instruments following the disposal shall be accounted for in full. The accumulated fair value change of equity investments held prior to the date of acquisition and included in the other comprehensive income as investments in other equity instruments shall be transferred in full to retained profits upon the change to cost accounting. The initial investment cost of long-term equity investments other than those acquired through business combination shall be recognized in accordance with the following: for those acquired by way of cash payments, the initial investment cost shall be the consideration actually paid plus expenses, tax amounts and other necessary outgoings directly related to the acquisition of the long-term equity investments; for those acquired by way of issuance of equity securities, the initial investment cost shall be the fair value of the equity securities issued.

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

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

III. Major Accounting Policies and Accounting Estimates (continued)

14. Long-term Equity Investments (continued)

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

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

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

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

III. Major Accounting Policies and Accounting Estimates (continued)

15. Fixed Assets

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

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

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

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

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

For fixed assets leased under finance lease, depreciation for leased assets is provided for using policy similar to that applied to self-owned fixed assets. When it can be reasonably determined that the ownership of a leased asset will be obtained at the end of the lease term, it is depreciated over the period of expected use; otherwise, the lease asset is depreciated over the shorter period of the lease term and its useful life.

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

16. Construction in Progress

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

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

III. Major Accounting Policies and Accounting Estimates (continued)

17. Borrowing Costs

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

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

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

(1) expenditures for the asset are being incurred;

(2) borrowing costs are being incurred;

(3) activities relating to the acquisition or construction of the asset that are necessary to prepare the asset for its intended use have commenced.

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

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

(1) where funds are borrowed for a specific purpose, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any temporary interest earned from deposits or investment income.

(2) where funds are borrowed for a general purpose, the amount of interest to be capitalized is determined by multiplying the weighted average of the excess amounts of accumulated expenditure on asset over the expenditure of specific-purpose borrowings by the weighted average interest rate.

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

III. Major Accounting Policies and Accounting Estimates (continued)

18. Intangible Assets

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

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

The useful lives of the intangible assets are as follows:

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

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

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

The Group classifies the expenditure on an internal research and development project into expenditure on the research phase and expenditure on the development phase. Expenditure on the research phase of an internal research and development project is recognised in profit or loss for the period in which it is incurred. Expenditure on the development phase is capitalized when the Group can demonstrate all of the following: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the intention to complete the intangible asset and use or sell it; how the intangible asset will generate probable future economic benefits, including that the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, that if it is to be used internally, the usefulness of the intangible asset; the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and its ability to measure reliably the expenditure attributable to the intangible asset during its development phase. Expenditure on the development phase that does not meet the above criteria is recognised in profit or loss for the current period in which it is incurred.

III. Major Accounting Policies and Accounting Estimates (continued)

19. Asset Impairment

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

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

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

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

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

20. Long-term Prepaid Expenses

Long-term prepaid expenses are amortized on a straight-line basis over the beneficial period and the amortisation period is as follow:

	Amortisation Period
Renovation costs	3 years
Dredging costs	5 years

III. Major Accounting Policies and Accounting Estimates (continued)

21. Employee Benefits

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

Short-term employee benefits

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

Post-employment benefits (defined contribution plans)

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

Termination benefits

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

Other long-term employee benefits

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

22. Provisions

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

(1) the obligation is a present obligation of the Group;

(2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation;

(3) the amount of the obligation can be measured reliably.

III. Major Accounting Policies and Accounting Estimates (continued)

22. Provisions (continued)

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

23. Revenue (Applicable from 1 January 2018)

The revenue is recognized when the Group has fulfilled its performance obligations in the contract, that is, the customer obtains control of the relevant goods or services. Obtaining control of the relevant goods or services means being able to dominate the use of the good or the provision of the service and obtains substantially all of its economic benefits.

Contracts for the rendering of services

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

Contracts for the sales of goods

The contract for the sale of goods between the Group and the customers usually includes performance obligations of transferring the goods. The Group generally recognises revenue at a point of time when the customer obtains the control of the relevant goods based on the following factors. This includes obtaining the current collection rights of the goods, the transfer of the main risks and rewards of the ownership of the goods, the transfer of the legal ownership of the goods, the transfer of the physical assets of the goods, and the acceptance of the goods by the customer.

III. Major Accounting Policies and Accounting Estimates (continued)

24. Revenues (Applicable for 2017)

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

Revenue from the rendering of services

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

Revenue from the sales of goods

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

Lease income

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

Interest income

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

III. Major Accounting Policies and Accounting Estimates (continued)

25. Contract liabilities (applicable from 1 January 2018)

The Group presents contract assets or contract liabilities in the balance sheet based on the relationship between the fulfillment of performance obligations and customer payments.

Contract liabilities

The Group's obligation to transfer goods to customers for consideration received or receivable from customers is presented as contract liabilities, such as payments received by the enterprise prior to the transfer of the promised goods.

The Group will offset the contract assets and contract liabilities under the same contract and present them on a net basis.

26. Government Grants

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

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

Government grants relating to income which are used to compensate relevant cost expenses or losses in subsequent periods are recognized as deferred income and are accounted in profit and loss in the current period where relevant cost expenses or losses are recognized; those used to compensate relevant cost expenses or losses in the current period are directly accounted in profit and loss in the current period.

Government grants relating to assets are recognized in deferred income and accounted in profit or loss in stages in a reasonable and systematic method during the service lives of the relevant assets (however, those measured in nominal values shall be recorded in profit and loss in the current period). Where the relevant assets are sold, transferred, scrapped or damaged before the end of their service lives, the undistributed balance of related deferred income shall be transferred to the profit or loss of the period where the relevant assets are disposed.

III. Major Accounting Policies and Accounting Estimates (continued)

27. Income Tax

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

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

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

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

(1) where the taxable temporary differences arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or deductible tax loss.

(2) in respect of taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

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

(1) where the deductible temporary difference arises from a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or deductible tax loss.

(2) in respect of the deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, a deferred income tax asset is only recognized to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the deductible temporary differences can be utilized in the future.

III. Major Accounting Policies and Accounting Estimates (continued)

27. Income Tax (continued)

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

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

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

28. Lease

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

In the case of being the lessee of an operating lease

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

In the case of being the lessor of an operating lease

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

As the lessee of a finance lease

An asset held under a finance lease is recognised at the lower of its fair value as at the effective date of lease and the present value of the minimum lease payments, and the minimum lease payment is recorded as the carrying amount of long-term payables. The difference between the recorded amount of the leased asset and the recorded amount of the payable is accounted for as unrecognised finance cost, which is amortised using the effective interest rate method during each period over the lease term. Contingent rental payments are charged to profit or loss in the period in which they actually arise.

III. Major Accounting Policies and Accounting Estimates (continued)

29. Discontinued Operations

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and can be distinguished from other components within the Group:

(1) the component represents a separate major line of business or an individual geographical area of operations;

(2) is part of a single coordinated plan to disposal of a separate major line of business or an individual geographical area of operations;

(3) is a subsidiary acquired exclusively for the purpose of resale.

30. Profit Distribution

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

31. Production Safety Expense

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

32. Fair Value Measurement

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other supporting information are available to measure fair value, giving priority to the use of relevant observable inputs, and using unobservable inputs only when observable inputs are unavailable or not feasible to obtain.

III. Major Accounting Policies and Accounting Estimates (continued)

32. Fair Value Measurement (continued)

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

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

33. Significant Accounting Judgments and Estimates

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

Judgment

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

The business model

The classification of financial assets at initial recognition depends on the business model of the Group's management of financial assets. When judging the business model, the Group considers taking into account the way in which financial asset performance is evaluated by company and reported to key managers, the risks affecting financial asset performance, and how they are managed, and the way in which the relevant business managers receive compensation. In assessing whether to target contractual cash flow, the Group needs to analyze and judge the reasons, time, frequency and value of the sale of the financial asset before its maturity date.

The contractual cash flow characteristics

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

III. Major Accounting Policies and Accounting Estimates (continued)

33. Significant Accounting Judgments and Estimates (continued)

Uncertainty of estimation

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

Impairment of financial instruments

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

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

The Group assesses whether there are any indication of impairment for all non-current assets other than financial assets at the balance sheet date. For intangible assets with an indefinite useful life, in addition to the annual impairment test, when there is an indication of impairment, the impairment test is also carried out. Other non-current assets other than financial assets are tested for impairment when there is an indication that the carrying amount is not recoverable. Where the carrying amount of an asset or asset group is higher than its recoverable amount (i.e., the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from it), it is indicated that such asset or asset group is impaired. The fair value less costs to sell is determined with reference to the price in the relevant sales agreement or an observable market price of similar assets in an arm's length transaction, adjusted for incremental costs that would be directly attributable to the disposal of the asset or asset group. When calculating the present value of expected future cash flows from an asset or asset group, management shall estimate the expected future cash flows from the asset or asset group and choose a suitable discount rate to determine the present value of future cash flows.

Fair value of unlisted equity investments

The valuation of unlisted equity investments is the estimated future cash flows discounted based on the current discount rate of other financial instruments with similar contractual terms and risk characteristics. This requires the Group to estimate the expected future cash flows, credit risk, volatility and discount rate and therefore is uncertain.

III. Major Accounting Policies and Accounting Estimates (continued)

33. Significant Accounting Judgments and Estimates (continued)

Uncertainty of estimation (continued)

Deferred income tax assets

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

Useful lives and residual values of fixed assets

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

Allowance for inventories

Allowance for inventories represents the provision for impairment of inventories where costs are higher than net realizable value. The management's judgments and estimates are required for determining inventory impairment on the basis of clear evidence, purpose of holding the inventories, effect of subsequent events and other factors. The difference between the actual results and the original estimates and the changes in estimates will affect the carrying amount of inventories and the provision or reversal of impairment on inventories.

34. Changes in Accounting Policies

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

III. Major Accounting Policies and Accounting Estimates (continued)

34. Changes in Accounting Policies (continued)

The New Revenue Standard

The New Revenue Standard establishes a new revenue recognition model for regulating revenue generated from contracts with customers. According to the New Revenue Standard, the way in which the revenue is recognized should reflect the mode in which the entity transfers goods or services to customers. The amount of revenue should reflect the amount of consideration that the entity is expected to receive due to the transfer of such goods and services to the customer. At the same time, the New Revenue Standard also regulates the judgments and estimates required for each aspect of revenue recognition. Based on the computation of the cumulative impact of uncompleted contracts as at 1 January 2018, it is believed that the implementation of the New Revenue Standard has no material impact on the Group's consolidated financial statements. The impacts of adoption of the New Revenue Standard on the consolidated balance sheet are as follows:

	Carrying amount stated according to the original Revenue Standard 31 December 2017	**Reclassification**	**Carrying amount stated according to the New Revenue Standard 1 January 2018**
Deposits received	522,476,557.70	(522,476,557.70)	–
Contract liabilities	–	522,476,557.70	**522,476,557.70**
	522,476,557.70	–	**522,476,557.70**

The New Financial Instruments Standard

The New Financial Instruments Standard changes the classification and measurement of financial assets and requires three measurement categories: amortized cost, fair value through other comprehensive income, or fair value through profit or loss, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Equity instrument investments shall be measured at fair value through profit or loss. However, equity instrument investments can be irrevocably designated as financial assets at fair value through other comprehensive income at initial recognition.

The New Financial Instruments Standard requires "expected credit loss" model for recognition and measurement of impairments in financial assets instead of "incurred loss" model. Expected credit loss model is applied in financial assets measured at amortized cost or fair value through other comprehensive income, loan commitments and guarantee contracts. The impairment in financial assets as at 1 January 2018 is measured under the expected credit loss model, the Group believes that upon the adoption of the New Financial Instruments Standard, the impairment in financial assets measured under the expected credit loss model has no material impact on the consolidated report.

Subsequent to 1 January 2018, the part of equity investments held by the Group are designated as a financial asset at fair value through other comprehensive income and presented as other equity investment.

III. Major Accounting Policies and Accounting Estimates (continued)

34. Changes in Accounting Policies (continued)

The New Financial Instruments Standard (continued)

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

The Group

	Note V	**Carrying amount stated according to the original Financial Instrument Standard** 31 December 2017	**Reclassification**	**Remeasurement**	**Carrying amount stated according to the New Financial Instruments Standard 1 January 2018**
Financial assets at amortised cost					
Financial products – Other current assets					
Balance stated according to the original Financial Instrument Standard	6	100,000,000.00	–	–	–
Less: Transferred to measurement at fair value through profit or loss (New Financial Instrument Standard)		–	(100,000,000.00)	–	–
Balance stated according to the New Financial Instrument Standard		–	–	–	–
Financial assets at amortised cost		100,000,000.00	(100,000,000.00)	–	–
Financial assets at fair value through other comprehensive income					
Equity investment – Available-for-sale financial assets					
Balance stated according to the original Financial Instrument Standard	7	709,674,267.95	–	–	–
Less: Transferred to measurement at fair value through other comprehensive income – equity instrument(New Financial Instrument Standard)		–	(709,674,267.95)	–	–
Balance stated according to the New Financial Instrument Standard		–	–	–	–
Equity investment – other equity instrument investment					
Balance stated according to the original Financial Instrument Standard		–	–	–	–
Add: Transferred from available-for-sale assets		–	709,674,267.95	–	–
Remeasurement: Changed from measurement at amortized cost to measurement at fair value (New Financial Instrument Standard)			–	258,200,838.29	–
Balance stated according to the New Financial Instrument Standard		–	–	–	**967,875,106.24**
Financial assets at fair value through other comprehensive income		709,674,267.95	–	258,200,838.29	**967,875,106.24**

NOTES TO FINANCIAL STATEMENTS

31 December 2018
RMB

III. Major Accounting Policies and Accounting Estimates (continued)

34. Changes in Accounting Policies (continued)

The New Financial Instruments Standard (continued)

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

The Group (continued)

	Carrying amount stated according to the original Financial Instrument Standard 31 December 2017	Reclassification	Remeasurement	Carrying amount stated according to the New Financial Instruments Standard 1 January 2018
Financial assets at fair value through profit or loss				
Financial products-financial assets held for trading				
Balance stated according to the original Financial Instrument Standard	–	–	–	–
Add: Transferred from assets at amortized cost (New Financial Instrument Standard)	–	100,000,000.00	–	–
Balance stated according to the New Financial Instrument Standard	–	–	–	100,000,000.00
Financial assets at fair value through profit or loss	–	100,000,000.00	–	100,000,000.00
Total	809,674,267.95	–	258,200,838.29	1,067,875,106.24

III. Major Accounting Policies and Accounting Estimates (continued)

34. Changes in Accounting Policies (continued)

The New Financial Instruments Standard (continued)

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

The Company

	Note XIV	Carrying amount stated according to the original Financial Instrument Standard 31 December 2017	Reclassification	Remeasurement	Carrying amount stated according to the New Financial Instruments Standard 1 January 2018
Financial assets at fair value through other comprehensive income					
Equity investment – Available-for-sale financial assets					
Balance stated according to the original Financial Instrument Standard	2	562,752,357.95	–	–	–
Less: Transferred to measurement at fair value through other comprehensive income – equity instrument (New Financial Instrument Standard)		–	(562,752,357.95)	–	–
Balance stated according to the New Financial Instrument Standard		–	–	–	–
Equity investment – Other equity investment instrument					
Balance stated according to the original Financial Instrument Standard		–	–	–	–
Add: Transferred from available-for-sale assets			562,752,357.95	–	–
Remeasurement: Changed from measurement at amortized cost to measurement at fair value (New Financial Instrument Standard)		–	–	179,240,190.72	–
Balance stated according to the New Financial Instrument Standard		–	–	–	**741,992,548.67**
Financial assets at fair value through other comprehensive income		562,752,357.95	–	179,240,190.72	**741,992,548.67**

Formats of financial statements

As required by the Notice on Revising and Circulating General Corporate Financial Statement Formats 2018 (Cai Kuai [2018] No.15), in the balance sheet, “bills receivable” and “accounts receivable” are classified under the new “bills receivable and accounts receivable” item; “dividend receivable” and “interest receivable” are classified under the “other receivables” item; “disposal of fixed assets” are classified under the “fixed assets” item; “bills payable” and “accounts payable” are classified under the new “bills payable and accounts payable” item; “dividends payable” and “interest payable” are classified under the “other payables” item; the “interest expenses” and “interest income” items are separated from the “finance expenses” item; the Group has adjusted the comparative figures on a retrospective basis. The changes in accounting policies has no impact on consolidated and company net profit and shareholders’ equity.

III. Major Accounting Policies and Accounting Estimates (continued)

34. Changes in Accounting Policies (continued)

Change in presentation items of cash flow from government grants related to assets

Pursuant to the Explanation of Issues relating to the 2018 General Corporate Financial Statement Formats (《關於2018年度一般企業財務報表格式有關問題的解讀》) issued by the Ministry of Finance, when preparing the cash flow statement, the cash flow originally under investment activities is changed to the cash flow under operating activities. The Group adjusted the comparative figures on a retroactive basis. The change in accounting policy reduces the net cash flow from investing activities in the consolidated and company cash flow statements and increases the net cash flow from operating activities by the same amount, but has no impact on the net increase in cash and cash equivalents.

The main impacts of the retrospective adjustment arising from changes in accounting policies above on the financial statement are as follows:

The Group

	Carrying amount before changes in accounting policies Balance as at the beginning of the year	Impacts of changes in the presentation method on other financial statements	Carrying amount after changes in accounting policies Balance as at the beginning of the year
Assets			
Bills receivable	330,915,367.80	(330,915,367.80)	–
Accounts receivable	82,993,153.85	(82,993,153.85)	–
Bills receivable and accounts receivable	–	413,908,521.65	413,908,521.65
Interest receivable	2,508,123.00	(2,508,123.00)	–
Other receivables	7,865,809.26	2,508,123.00	10,373,932.26
Liabilities			
Accounts payable	218,205,613.84	(218,205,613.84)	–
Bills payable and accounts payable	–	218,205,613.84	218,205,613.84
Interest payable	11,080,299.21	(11,080,299.21)	–
Dividends payable	279,371,035.49	(279,371,035.49)	–
Other payables	970,848,422.55	290,451,334.70	1,261,299,757.25

	Amount stated before changes in accounting policies Amount for current year	Impacts of changes in the presentation method on other financial statements	Amount stated after changes in accounting policies Amount for current year
Cash flow from operating activities			
Cash received from other operating activities	125,855,146.11	14,852,700.00	140,707,846.11
Cash flow from investment activities			
Cash received from other investment activities	15,067,980.00	(14,852,700.00)	215,280.00

III. Major Accounting Policies and Accounting Estimates (continued)

34. Changes in Accounting Policies (continued)

Change in presentation items of cash flow from government grants related to assets (continued)

The main impacts of the retrospective adjustment arising from changes in accounting policies above on the financial statement are as follows: (continued)

The Company

	Carrying amount before changes in accounting policies Balance as at the beginning of the year	Impacts of changes in the presentation method on other financial statements	Carrying amount after changes in accounting policies Balance as at the beginning of the year
Assets			
Bills receivable	294,653,342.67	(294,653,342.67)	–
Accounts receivable	74,847,409.10	(74,847,409.10)	–
Bills receivable and accounts receivable	–	369,500,751.77	369,500,751.77
Liabilities			
Accounts payable	162,595,046.29	(162,595,046.29)	–
Bills payable and accounts payable	–	162,595,046.29	162,595,046.29
Interest payable	1,555,125.00	(1,555,125.00)	–
Dividends payable	279,371,035.49	(279,371,035.49)	–
Other payables	155,270,116.77	280,926,160.49	436,196,277.26

	Amount stated before changes in accounting policies Amount for current year	Impacts of changes in the presentation method on other financial statements	Amount stated after changes in accounting policies Amount for current year
Cash flow from operating activities			
Cash received from other operating activities	59,974,436.31	14,852,700.00	74,827,136.31
Cash flow from investment activities			
Cash received from other investment activities	15,067,980.00	(14,852,700.00)	215,280.00

IV. Taxation

1. Major Categories of Taxes and Respective Tax Rates

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

2. Tax Preferences

Enterprise income tax

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

Land use tax

Pursuant to the Provisional Regulations of the People's Republic of China on Land Use Tax in respect of Urban and Town Land (《中華人民共和國城鎮土地使用稅暫行條例》) (Order No.483 of the State Council) and the Notice of SAT on Preferential Policies on Land Use Tax in respect of Urban and Town Land (《稅務總局城鎮土地使用稅優惠政策的通知》) (Cai Shui [2017] No. 33), the Company shall pay urban and town land use tax at a reduced 50% of the rate applicable to the standards of such land owned during the Year.

V. Notes to Key Items of the Consolidated Financial Statements

1. Cash and Bank Balances

	2018	2017
Cash on hand	45,370.83	480,999.47
Bank deposits	2,607,026,536.81	1,957,804,014.71
Other monetary fund	–	25,000,000.00
	2,607,071,907.64	1,983,285,014.18
Less: Restricted bank deposits	49,598,181.08	–
Time deposits with maturity of more than three months	573,000,000.00	984,138,360.00
Cash and cash equivalents	1,984,473,726.56	999,146,654.18

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

As at 31 December 2018, the cash and bank balances deposited overseas by the Group were equivalent to RMB63,582,115.68 (31 December 2017: RMB63,118,153.20).

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

2. Bills receivable and accounts Receivable

	2018	2017
Bills receivable	151,588,176.50	330,915,367.80
Accounts receivable	81,220,129.53	117,063,250.43
	232,808,306.03	447,978,618.23
Less: provision for bad debts	12,664,738.99	34,070,096.58
	220,143,567.04	413,908,521.65

V. Notes to Key Items of the Consolidated Financial Statements (continued)

2. Bills Receivable and Accounts Receivable (continued)

Bills receivable

	2018	2017
Commercial acceptance notes	2,848,287.00	7,040,271.00
Bank acceptance notes	148,739,889.50	323,875,096.80
	151,588,176.50	330,915,367.80

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

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

	2018		2017	
	Derecognized	Not derecognized	Derecognized	Not derecognized
Bank acceptance notes	14,790,193.25	–	14,067,335.00	–

Accounts Receivable

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

An aged analysis of the accounts receivable is as follows:

	2018	2017
Within 1 year	70,829,084.02	73,087,489.98
1 to 2 years	457,910.69	5,134,001.94
2 to 3 years	4,143,694.59	18,001,849.80
Over 3 years	5,789,440.23	20,839,908.71
	81,220,129.53	117,063,250.43
Less: Provision for bad debts of accounts receivable	12,664,738.99	34,070,096.58
	68,555,390.54	82,993,153.85

V. Notes to Key Items of the Consolidated Financial Statements (continued)

2. Bills Receivable and Accounts Receivable (continued)

Accounts Receivable (continued)

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

	Opening balance	Provision for the year	Reversal during the year	Write-off during the year	Closing balance
2018	**34,070,096.58**	**1,145,132.16**	**(22,550,489.75)**	**–**	**12,664,738.99**
2017	25,194,510.22	11,451,034.43	(998,571.67)	(1,576,876.40)	34,070,096.58

	2018			
	Carrying amount		**Provision for bad debts**	
	Amount	**Percentage (%)**	**Amount**	**Percentage of provision (%)**
Provision of bad debts made by portfolio of credit risk characteristics	**81,220,129.53**	**100**	**12,664,738.99**	**16**

	2017			
	Carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage of provision (%)
Provision of bad debts made by portfolio of credit risk characteristics	111,026,717.04	95	28,033,563.19	25
Individually insignificant but provided for bad debts on individual basis	6,036,533.39	5	6,036,533.39	100
	117,063,250.43	100	34,070,096.58	29

V. Notes to Key Items of the Consolidated Financial Statements (continued)

2. Bills Receivable and Accounts Receivable (continued)

Accounts Receivable (continued)

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

	2018			2017		
	Estimated carrying amount arising from default	Expected credit loss ratio (%)	Lifetime expected credit loss	Balance	Percentage of Provision (%)	Provision for bad debts
Within 1 year	70,829,084.02	5	3,437,663.30	73,087,489.98	5	3,651,458.48
1 to 2 years	457,910.69	45	205,553.68	2,256,657.55	10	225,665.76
2 to 3 years	4,143,694.59	78	3,232,081.78	16,465,900.80	30	4,939,770.24
Over 3 years	5,789,440.23	100	5,789,440.23	19,216,668.71	100	19,216,668.71
	81,220,129.53	16	12,664,738.99	111,026,717.04	25	28,033,563.19

The provision for bad debts of the Group in 2018 was RMB1,145,132.16 (2017: RMB11,451,034.43) and the recovered or revised bad debts provision was RMB22,550,489.75 (2017: RMB998,571.67).

The Group had no accounts receivable actually written off in 2018 (2017: RMB1,576,876.40).

As at 31 December 2018, accounts receivable from the five largest customers were as follows:

	Balance		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage of provision (%)
China Ocean Shipping Agency Qinhuangdao Co., Ltd. (中國秦皇島外輪代理有限公司)	23,930,513.00	29.46	1,295,733.67	5
Suizhong Tianyu Port Shipping Services Co., Ltd. (綏中天予港口船舶服務有限公司)	9,453,327.00	11.64	511,856.73	5
Qinhuangdao Zhihai Shipping Agency Co., Ltd. (秦皇島之海船務代理有限公司)	6,938,877.00	8.54	375,710.15	5
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	6,487,445.39	7.99	5,427,932.56	84
Penavico QHD Logistics Co., Ltd. (秦皇島外代物流有限公司)	5,999,366.00	7.39	324,839.69	5
	52,809,528.39	65.02	7,936,072.80	

V. Notes to Key Items of the Consolidated Financial Statements (continued)

2. Bills Receivable and Accounts and Receivable (continued)

Accounts Receivable (continued)

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

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

3. Other Receivables

	2018	2017
Interest receivable	–	2,508,123.00
Other receivable	30,259,192.87	7,865,809.26
	30,259,192.87	10,373,932.26

V. Notes to Key Items of the Consolidated Financial Statements (continued)

3. Other Receivables (continued)

Other receivable

	2018	2017
Equity transfer consideration receivable	4,538,405.82	5,607,305.82
Deposits receivable	492,750.00	526,800.00
Utilities receivable	6,495,353.06	683.84
Reduction, exemption and refund for land use tax	18,768,652.40	–
Other	1,953,142.50	2,411,184.38
	32,248,303.78	8,545,974.04
Less: provision for bad debts	1,989,110.91	680,164.78
	30,259,192.87	7,865,809.26

An aged analysis of other receivables is as follows:

	2018	2017
Within 1 year	27,362,441.98	8,133,930.37
1 to 2 years	4,705,307.06	148,180.33
2 to 3 years	62,437.66	–
Over 3 years	118,117.08	263,863.34
	32,248,303.78	8,545,974.04
Less: Provision for bad debts of other receivables	1,989,110.91	680,164.78
	30,259,192.87	7,865,809.26

V. Notes to Key Items of the Consolidated Financial Statements (continued)

3. Other Receivables (continued)

Other receivable (continued)

In 2018, changes in bad debts provision for other receivables based on the expected credit loss in the next 12 months were as follow：

	Opening balance	Provision for the year	Reversal during the year	Write-off during the year	Closing balance
Expected credit loss in the next 12 months	**680,164.78**	**1,362,199.80**	**(53,253.67)**	**–**	**1,989,110.91**

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

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

	2018			
	Carrying amount		**Provision for bad debts**	
	Amount	**Percentage (%)**	**Amount**	**Percentage of provision (%)**
The provision for bad debt of assets for expected credit losses based on the characteristics portfolio of credit risk provision for bad debts with loss	**32,248,303.78**	**100**	**1,989,110.91**	**6**

	2017			
	Carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage of provision (%)
Provision for bad debts on collective basis based on credit risks characteristics	8,545,974.04	100	680,164.78	8

V. Notes to Key Items of the Consolidated Financial Statements (continued)

3. Other Receivables (continued)

Other receivable (continued)

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

	2018			2017		
	Estimated carrying amount arising from default	**Expected credit loss ratio (%)**	**Expected credit loss in the next 12 months**	Balance	Percentage of provision (%)	Provision for bad debts
Within 1 year	**27,362,441.98**	**5**	**1,425,262.17**	8,133,930.37	5	401,483.41
1 to 2 years	**4,705,307.06**	**9**	**423,477.64**	148,180.33	10	14,818.03
2 to 3 years	**62,437.66**	**36**	**22,254.02**	–	30	–
Over 3 years	**118,117.08**	**100**	**118,117.08**	263,863.34	100	263,863.34
	32,248,303.78	**6**	**1,989,110.91**	8,545,974.04	8	680,164.78

In 2018, the provision for bad debts of the Group was RMB1,362,199.80 (2017: RMB72,841.81) and the recovered or revised bad debts provision was RMB53,253.67 (2017: RMB1,993,399.76).

The Group had no accounts receivable actually written off for 2018 (2017: Nil).

V. Notes to Key Items of the Consolidated Financial Statements (continued)

3. Other Receivables (continued)

Other receivable (continued)

As at 31 December 2018, other receivable from the five largest customers were as follows:

	Closing balance	Percentage of total balance of other receivable (%)	Nature	Aging	Closing balance of bad debt provision
Haigang District Tax Bureau of Qinhuangdao (秦皇島市海港區稅務局)	**18,768,652.40**	**58.20**	**Reduction, exemption and refund for land use tax**	**Within 1 year**	**938,432.62**
Jinji International Container Terminal Co., Ltd. (津冀國際集裝箱碼頭有限公司)	**6,283,583.00**	**19.49**	**Utilities**	**Within 1 year**	**314,179.15**
Bohai Jin-Ji Port Investment and Development Company Limited (渤海津冀港口投資發展有限公司)	**4,538,405.82**	**14.07**	**Equity transfer consideration**	**1 to 2 years**	**453,840.58**
Cangzhou Huanghuagang Steel Logistics Co., Ltd. (滄州黃驊港鋼鐵物流有限公司)	**256,809.09**	**0.80**	**Utilities**	**Within 1 year**	**12,840.45**
Cangzhou Bohai New District Zhucheng Housing Management Co., Ltd. (滄州渤海新區築城房屋經營管理有限公司)	**206,050.00**	**0.64**	**Others**	**1 to 5 years**	**89,205.00**
	30,053,500.31	**93.20**			**1,808,497.80**

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

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

V. Notes to Key Items of the Consolidated Financial Statements (continued)

3. Other Receivables (continued)

Other receivable (continued)

As at 31 December 2018, the government grants receivable were as follows:

	Grant project	Amount	Aging	Expected receiving time, amount and basis
Haigang District Tax Bureau of Qinhuangdao (秦皇島市海港區稅務局)	Reduction, exemption and refund for land use tax	18,768,652.40	Within 1 year	Cai Shui [2017] No. 33 Fully recovered in January 2019

As at 31 December 2017, the Group had no government grants receivable.

4. Inventories

	2018			2017		
	Balance	Provision for impairment	Carrying amount	Balance	Provision for impairment	Carrying amount
Materials	62,786,373.49	4,319,128.82	58,467,244.67	68,813,086.75	–	68,813,086.75
Fuels	4,047,913.88	–	4,047,913.88	10,370,084.33	–	10,370,084.33
Spare parts	128,941,932.15	3,422,881.22	125,519,050.93	116,956,141.46	–	116,956,141.46
Low-cost consumables	3,459,380.64	25,249.83	3,434,130.81	3,753,579.50	–	3,753,579.50
Finished goods	15,775.86	–	15,775.86	329,634.52	–	329,634.52
	199,251,376.02	7,767,259.87	191,484,116.15	200,222,526.56	–	200,222,526.56

V. Notes to Key Items of the Consolidated Financial Statements (continued)

4. Inventories (continued)

Change in impairment allowance for inventories is as follows:

2018

	Opening balance	Provision for the year	Decrease during the year: Reversal	Decrease during the year: Write-off	Closing balance
Materials	–	4,409,741.30	(75,972.93)	(14,639.55)	4,319,128.82
Spare parts	–	3,434,499.26	(10,836.11)	(781.93)	3,422,881.22
Low-cost consumables	–	25,899.89	(268.52)	(381.54)	25,249.83
	–	7,870,140.45	(87,077.56)	(15,803.02)	7,767,259.87

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

As at 31 December 2017, the Group did not make the provision for decline in value of inventories.

5. Assets held for sale

	2018	2017
Land use rights held for sale	188,076,294.76	–
Long term equity investment held for sale	5,910,500.00	–
Total	193,986,794.76	–

V. Notes to Key Items of the Consolidated Financial Statements (continued)

5. Assets held for sale (continued)

	Closing carrying amount	Fair value	Expected disposal costs	Expected disposal time
Intangible assets – land use rights (Note 1)	188,076,294.76	188,076,294.76	–	January 2019
Long term equity investment (Note 2)	5,910,500.00	7,392,000.00	200,000.00	March 2019
Total	193,986,794.76	195,468,294.76	200,000.00	

Note 1: In December 2018, Tangshan Caofeidian Coal Port Co., Ltd. (hereinafter referred to as "Caofeidian Coal"), a subsidiary of the Group, entered into a contract for transfer state-owned construction land use right with Caofeidian District Bureau of Land and Resources whereby subject to land grant fees of RMB187,696,140.63. On 18 January 2019, Caofeidian Coal entered into an Agreement on Compensation for Acquisition of State-owned Land Use Rights with Caofeidian Development Center for Land Acquisition and Reserve (曹妃甸區土地收購儲備開發中心) on behalf of the Caofeidian government to acquire and reserve aforementioned land with the amount of RMB188,076,294.76. On 23 January 2019, the Company has received all the amount for reserve and acquisition.

Note 2: On 28 September 2018, the sixth meeting of the fourth session of the board of directors of the Company considered and approved the Proposal on the Equity Restructuring of Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行) (hereinafter referred to as "Huazheng Coal Inspection") and Zhejiang Yuehua Energy Inspection Co., Ltd. (浙江越華能源檢驗有限公司) (hereinafter referred to as "Yuehua Energy"). The Company has increased its capital contribution to Huazheng Coal Inspection in December 2018, and signed the Huazheng Coal Inspection Equity Transfer Agreement with Yuehua Energy (the transferee) in March 2019.

6. Other current assets

	2018	2017
Deductible input VAT	**101,102,715.97**	127,555,422.28
Prepaid enterprise income tax	**627,493.71**	12,112,906.44
Financial products	**–**	100,000,000.00
	101,730,209.68	239,668,328.72

V. Notes to Key Items of the Consolidated Financial Statements (continued)

7. Available-for-sale Financial Assets (applicable to 2017 only)

	2017		
	Balance	Provision for impairment	Carrying amounts
Available-for-sale equity instruments	709,674,267.95	–	709,674,267.95

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

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

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

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

V. Notes to Key Items of the Consolidated Financial Statements (continued)

8. Long-term Equity Investments

2018

	Opening balance	Change within the year: Increase In investment	Decrease in investment	Investment gain or loss under the equity method	Other comprehensive income	Other equity movements	Declaration of cash dividend	Closing carrying amount	Year-end provision for impairment
Equity method:									
Joint ventures									
Bohai Jin-Ji Port Investment and Development Company Limited (渤海津冀港口投資發展有限公司)	354,417,198.06	-	-	(36,919,922.48)	-	-	-	317,497,275.58	-
Jinji International Container Terminal Co., Ltd. (津冀國際集裝箱碼頭有限公司)	54,246,590.22	1,800,000.00	-	(7,064,559.86)	-	-	-	48,982,030.36	-
Sub-total	408,663,788.28	1,800,000.00	-	(43,984,482.34)	-	-	-	366,479,305.94	-
Associates									
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行) (5 of Note V)	-	-	-	-	-	-	-	-	-
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	631,702,694.96	-	-	11,968,330.60	(14,701.42)	-	-	643,656,324.14	-
Tangshan Caofeidian Shiye Port Co., Ltd. (唐山曹妃甸實業港務有限公司)	1,076,320,472.10	-	-	104,603,861.06	-	3,029,568.29	(56,000,000.00)	1,127,953,901.45	-
Qinhuangdao Xing'ao Qin'gang Energy Storage & Transportation Co., Ltd. (秦皇島興奧秦港能源儲運有限公司)	-	-	-	-	-	-	-	-	(20,800,000.00)
Handan International Land Port Co., Ltd. (邯鄲國際陸港有限公司)	151,320,737.75	-	-	559,966.01	-	-	-	151,880,703.76	-
Tangshan Jingtang Railway Co., Ltd. (唐山京唐鐵路有限公司)	273,528,916.50	-	-	(1,084,284.42)	-	-	-	272,444,632.08	-
Cangzhou Bohai New Zone Gangxing Tugboat Co., Ltd. (滄州渤海新區港興拖輪有限公司)	140,022,488.17	-	-	1,031,666.53	-	-	-	141,054,154.70	-
Xin Licheng Tally Co., Ltd. of Tangshan Caofeidian Comprehensive Bonded Zone (唐山曹妃甸綜合保税區鑫理程理貨有限責任公司)	738,863.41	-	-	(374,408.24)	-	-	-	364,455.17	-
Zhejiang Yuehua Energy Detection Co., Ltd. (浙江越華能源檢測有限公司)	-	11,457,900.00	-	-	-	-	-	11,457,900.00	-
Sub-total	2,273,634,172.89	11,457,900.00	-	116,705,131.54	(14,701.42)	3,029,568.29	(56,000,000.00)	2,348,812,071.30	(20,800,000.00)
Total	2,682,297,961.17	13,257,900.00	-	72,720,649.20	(14,701.42)	3,029,568.29	(56,000,000.00)	2,715,291,377.24	(20,800,000.00)

V. Notes to Key Items of the Consolidated Financial Statements (continued)

8. Long-term Equity Investments (continued)

2017

	Opening balance	Change within the year: Increase In investment	Investment gain or loss under the equity method	Other comprehensive income	Other equity movements	Declaration of cash dividend	Provision for impairment	Closing carrying amount	Year-end provision for impairment
Equity method:									
Joint ventures									
Bohai Jin-Ji Port Investment and Development Company Limited (渤海津冀港口投資發展有限公司)	89,205,396.06	300,000,000.00	(34,788,198.00)	–	–	–	–	354,417,198.06	–
Jinji International Container Terminal Co., Ltd. (津冀國際集裝箱碼頭有限公司)	–	61,554,044.14	(7,307,453.92)	–	–	–	–	54,246,590.22	–
Sub-total	89,205,396.06	361,554,044.14	(42,095,651.92)	–	–	–	–	408,663,788.28	–
Associates									
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	–	–	–	–	–	–	–	–	–
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	217,911,512.02	400,000,000.00	13,776,181.14	15,001.80	–	–	–	631,702,694.96	–
Tangshan Caofeidian Shiye Port Co., Ltd. (唐山曹妃甸實業港務有限公司)	1,024,530,094.60	–	132,949,776.29	–	2,840,601.21	(84,000,000.00)	–	1,076,320,472.10	–
Qinhuangdao Xing'ao Qin'gang Energy Storage & Transportation Co., Ltd. (秦皇島興奧秦港能源儲運有限公司)	20,000,000.00	800,000.00	–	–	–	–	(20,800,000.00)	–	(20,800,000.00)
Handan International Land Port Co., Ltd. (邯鄲國際陸港有限公司)	68,038,004.89	86,670,000.00	(3,387,267.14)	–	–	–	–	151,320,737.75	–
Tangshan Jingtang Railway Co., Ltd. (唐山京唐鐵路有限公司)	34,935,192.73	240,000,000.00	(1,406,276.23)	–	–	–	–	273,528,916.50	–
Cangzhou Bohai New Zone Gangxing Tugboat Co., Ltd. (滄州渤海新區港興拖輸有限公司)	88,601,688.17	49,845,800.00	1,575,000.00	–	–	–	–	140,022,488.17	–
Xin Licheng Tally Co., Ltd. of Tangshan Caofeidian Comprehensive Bonded Zone (唐山曹妃甸綜合保稅區鑫理程理貨有限責任公司)	–	900,000.00	(161,136.59)	–	–	–	–	738,863.41	–
Sub-total	1,454,016,492.41	778,215,800.00	143,346,277.47	15,001.80	2,840,601.21	(84,000,000.00)	(20,800,000.00)	2,273,634,172.89	(20,800,000.00)
Total	1,543,221,888.47	1,139,769,844.14	101,250,625.55	15,001.80	2,840,601.21	(84,000,000.00)	(20,800,000.00)	2,682,297,961.17	(20,800,000.00)

V. Notes to Key Items of the Consolidated Financial Statements (continued)

8. Long-term Equity Investments (continued)

Provision for impairment of the long-term equity investments:

2018

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

2017

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

V. Notes to Key Items of the Consolidated Financial Statements (continued)

9. Other equity instruments investments (applicable to 2018 only)

2018

	Cost	Changes in fair value accumulated in other comprehensive income	Fair value	Dividend income in current year: Equity instruments derecognized in current year	Dividend income in current year: Equity instruments held
SDIC Caofeidian Port Co., Ltd. (國投曹妃甸港口有限公司)	498,000,000.00	(27,814,888.60)	470,185,111.40	–	–
Qinhuangdao Ruigang Coal Logistics Co., Ltd. (秦皇島睿港煤炭物流有限公司)	34,000,000.00	(13,421,826.02)	20,578,173.98	–	–
Cangzhou Huanghuagang Steel Logistics Co., Ltd. (滄州黃驊港鋼鐵物流有限公司)	30,752,357.95	6,322,643.29	37,075,001.24	–	–
Tangshan Caofeidian Coal Stacking and Blending Co., Ltd. (唐山曹妃甸動力煤儲配有限公司)	65,040,000.00	(2,448,702.95)	62,591,297.05	–	–
Tangshan Caofeidian Tugboat Co., Ltd. (唐山港曹妃甸拖船有限公司)	81,881,910.00	58,327,049.96	140,208,959.96	–	6,920,518.48
Total	709,674,267.95	20,964,275.68	730,638,543.63	–	6,920,518.48

10. Fixed Assets

	2018	2017
Fixed Assets	15,629,069,875.62	16,153,724,611.99
Disposal of fixed assets	536,428.95	–
Fixed Assets	15,629,606,304.57	16,153,724,611.99

V. Notes to Key Items of the Consolidated Financial Statements (continued)

10. Fixed Assets (continued)

2018

	Buildings	Terminal facilities	Machinery and equipment	Vessels and transportation equipment	Office and other equipment	Total
Cost						
1 January 2018	5,421,413,379.40	8,993,254,112.51	10,118,169,009.29	517,201,010.07	234,284,040.39	25,284,321,551.66
Purchase	–	–	222,413.80	275,775.86	985,130.02	1,483,319.68
Finance lease	131,108,800.00	–	–	–	–	131,108,800.00
Transferred from construction in progress	483,875,250.37	2,278,766.55	122,904,703.33	9,331,530.77	11,498,108.99	629,888,360.01
Reclassification	(1,072,299.18)	1,072,299.18	(1,511,055.37)	–	1,511,055.37	–
Transferred to construction in progress due to renovation and retrofitting	(182,721.00)	–	–	–	–	(182,721.00)
Disposal for the year	(3,317,282.39)	–	(52,166,876.78)	(10,574,858.00)	(7,000,577.48)	(73,059,594.65)
Decrease in final accounts for completed projects for the year	202,060,453.63	(253,811,855.23)	15,321,631.17	(1,088,048.64)	17,335,947.90	(20,181,871.17)
31 December 2018	6,233,885,580.83	8,742,793,323.01	10,202,939,825.44	515,145,410.06	258,613,705.19	25,953,377,844.53
Accumulated depreciation						
1 January 2018	1,225,351,460.44	1,888,851,193.78	5,465,549,467.04	367,481,251.10	177,600,203.35	9,124,833,575.71
Provision for the year (Note 2)	236,088,806.88	351,200,686.48	568,029,070.98	27,875,114.47	14,514,070.90	1,197,707,749.71
Reclassification	(1,798,868.55)	(258,056.97)	(327,931.58)	–	2,384,857.10	–
Transferred to construction in progress due to renovation and retrofitting	(55,703.99)	–	–	–	–	(55,703.99)
Disposal for the year	(1,839,422.56)	–	(50,092,414.41)	(10,230,339.20)	(6,786,968.03)	(68,949,144.20)
31 December 2018	1,457,746,272.22	2,239,793,823.29	5,983,158,192.03	385,126,026.37	187,712,163.32	10,253,536,477.23
Provision for impairment						
1 January 2018	–	–	5,676,039.01	–	87,324.95	5,763,363.96
Provision for the year (Note 1)	–	–	64,290,520.15	10,132.88	707,474.69	65,008,127.72
31 December 2018	–	–	69,966,559.16	10,132.88	794,799.64	70,771,491.68
Carrying amounts of fixed assets						
31 December 2018	4,776,139,308.61	6,502,999,499.72	4,149,815,074.25	130,009,250.81	70,106,742.23	15,629,069,875.62
1 January 2018	4,196,061,918.96	7,104,402,918.73	4,646,943,503.24	149,719,758.97	56,596,512.09	16,153,724,611.99

Note 1: According to the 19th meeting of the third board of directors of the Company held on 30 May 2018, the ore branch of the Company was cancelled. The Company made a provision for the impairment of the fixed assets of the ore branch of RMB65,008,127.72.

V. Notes to Key Items of the Consolidated Financial Statements (continued)

10. Fixed Assets (continued)

2017

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

Note2: In 2018, no depreciation (2017: RMB563,747.41) provided for machinery and equipment directly related to the construction of construction in progress of the Group was capitalized in construction in progress.

V. Notes to Key Items of the Consolidated Financial Statements (continued)

10. Fixed Assets (continued)

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

As at 31 December 2018, the Group is applying for certificates of property ownership for buildings with a book value of RMB839,681,733.36 (31 December 2017: RMB718,349,454.87).

Fixed assets leased from under finance leases are as follows:

2018

	Cost	Accumulated depreciation	Provision for impairment	Carrying amounts
Properties and buildings	**131,108,800.00**	**6,191,249.04**	**–**	**124,917,550.96**

As at 31 December 2017, the Group has no fixed assets leased from under finance leases.

The carrying amount of the fixed assets leased out under operating leases is as follows:

	2018	2017
Machinery and equipment	**37,695,820.04**	42,648,459.94
Terminal facilities	**21,498,182.77**	19,378,930.23
Properties and buildings	**2,129,750.27**	15,789,232.49
Office and other equipment	**29,090.47**	36,084.24
	61,352,843.56	77,852,706.90

11. Construction in Progress

	2018			2017		
	Balance	Provision for Impairment	Carrying amount	Balance	Provision for Impairment	Carrying amount
Phase 1 (expansion) of metal ores Terminal project in the bulk cargo area of Huanghua Port	**670,779,861.54**	**–**	**670,779,861.54**	665,841,637.51	–	665,841,637.51
Phase 2 of coal terminal project in Caofeidian	**24,421,320.62**	**–**	**24,421,320.62**	236,484,319.46	–	236,484,319.46
Commencing project of complex port zone in Huanghua Port	**16,115,314.45**	**–**	**16,115,314.45**	146,776,135.21	–	146,776,135.21
Reclaimer Update for Phase 2 coal project	**–**	**–**	**–**	57,606,143.24	–	57,606,143.24
Phase 1 of crude oil terminal of Huanghua Port	**24,843,918.62**		**24,843,918.62**	12,925,493.18	–	12,925,493.18
Others	**20,554,326.68**	**–**	**20,554,326.68**	31,845,834.81	–	31,845,834.81
Total	**756,714,741.91**	**–**	**756,714,741.91**	1,151,479,563.41	–	1,151,479,563.41

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

V. Notes to Key Items of the Consolidated Financial Statements (continued)

11. Construction in Progress (continued)

Movements in significant construction in progress for 2018 are as follows:

	Budget	Opening Balance	Increase in the year	Transferred from fixed assets or intangible assets during the year	Transferred to fixed assets and intangible assets during the year	Other decrease	Closing balance	Source of funds	Percentage of accumulated project input to budget (%)
Phase 2 of coal terminal project in Caofeidian	5,428,903,500.00	236,484,319.46	106,104,950.41	–	(318,167,949.25)	–	24,421,320.62	Loans from financial institutes and self-owned capital	99
Phase 1 (expansion) of metal ores terminal project in the bulk cargo area of Huanghua	3,050,861,400.00	665,841,637.51	6,780,292.12	–	(1,842,068.09)	–	670,779,861.54	Fund raised, loans from financial institutes and self-owned capital	22
Commencing project of complex port zone in Huanghua Port	7,555,702,691.90	146,776,135.21	39,079,862.22	–	(169,740,682.98)	–	16,115,314.45	Loans from financial institutes and self-owned capital	91
Reclaimer Update for Phase 2 coal project	166,510,000.00	57,606,143.24	19,889,192.69	–	(77,495,335.93)	–	–	Fund raised	47
Phase 1 of crude oil terminal of Huanghua Port	2,987,898,500.00	12,925,493.18	11,918,425.44	–	–	–	24,843,918.62	Self-owned capital	1
Others	1,623,171,440.40	31,845,834.81	71,428,795.29	127,017.01	(81,041,142.06)	(1,806,178.37)	20,554,326.68		
Total	20,813,047,532.30	1,151,479,563.41	255,201,518.17	127,017.01	(648,287,178.31)	(1,806,178.37)	756,714,741.91		

V. Notes to Key Items of the Consolidated Financial Statements (continued)

11. Construction in Progress (continued)

Movements in significant construction in progress for 2017 are as follows:

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

V. Notes to Key Items of the Consolidated Financial Statements (continued)

11. Construction in Progress (continued)

Movements in significant construction in progress for 2018 are as follows:

	Progress of project	Accumulated amounts of capitalized interest	Including: Capitalized interest for the year	Ratio of capitalized interest for the year
Phase 2 of coal terminal project in Caofeidian	**99%**	**841,576,587.19**	**4,053,365.36**	**4.90%**

Movements in significant construction in progress for 2017 are as follows:

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

V. Notes to Key Items of the Consolidated Financial Statements (continued)

12. Intangible Assets

2018

	Land use rights	Software	Sea area use rights	Total
Cost				
1 January 2018	1,613,249,566.24	123,735,563.53	379,481,917.07	2,116,467,046.84
Purchase for the year	517,111,906.62	448,275.85	–	517,560,182.47
Transferred from construction in progress	–	6,352,538.87	12,046,279.43	18,398,818.30
Reclassification	11,653,245.17	(3,078,170.37)	(8,575,074.80)	–
Disposal for the year	–	(704,600.00)	–	(704,600.00)
Decrease in final accounts for completed projects for the year	–	–	(136,348.00)	(136,348.00)
31 December 2018	2,142,014,718.03	126,753,607.88	382,816,773.70	2,651,585,099.61
Accumulated amortization				
1 January 2018	126,176,400.27	74,877,026.16	27,107,401.47	228,160,827.90
Provision for the year (Note)	34,019,887.19	6,252,443.41	8,148,177.12	48,420,507.72
Disposal for the year	–	(704,600.00)	–	(704,600.00)
31 December 2018	160,196,287.46	80,424,869.57	35,255,578.59	275,876,735.62
Carrying amounts				
31 December 2018	1,981,818,430.57	46,328,738.31	347,561,195.11	2,375,708,363.99
1 January 2018	1,487,073,165.97	48,858,537.37	352,374,515.60	1,888,306,218.94

V. Notes to Key Items of the Consolidated Financial Statements (continued)

12. Intangible Assets (continued)

2017

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

Note: In 2018, amortization of RMB489,921.00 (2017: RMB968,498.88) provided for intangible assets directly related to the construction of construction in progress of the Group was capitalized in construction in progress.

As at 31 December 2018, the Group was in the process of applying for the land use right certificate of a reclaimed land with carrying amount of RMB1,815,750,540.34 (31 December 2017: RMB1,336,400,878.99). Management of the Company is of the opinion that there are neither legal nor other obstacles in getting the land use rights certificate once the register formalities are completed and the relevant charges are paid.

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

V. Notes to Key Items of the Consolidated Financial Statements (continued)

13. Deferred Tax Assets/Liability

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

	2018		2017	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Government grants	276,743,438.31	69,185,859.27	311,182,677.12	77,795,669.09
Asset impairment provision	32,437,894.04	8,109,473.51	53,961,809.48	13,490,452.37
Employee bonus	253,010,000.00	63,252,500.00	240,080,000.00	60,020,000.00
Accrued early retirement schemes	446,377,431.28	111,594,357.82	94,542,324.52	23,635,581.13
Difference between tax base and accounting base of fixed assets	101,796,511.12	25,449,127.78	108,873,912.92	27,218,478.23
Changes in fair value of investments in other equity instruments	43,685,417.57	10,921,354.40	–	–
	1,154,050,692.32	288,512,672.78	808,640,724.04	202,160,180.82

	2018		2017	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Changes in fair value of other equity instruments investments	64,649,693.25	16,162,423.31	–	–

Deferred income tax assets and liabilities are offset as follows:

	2018		2017	
	Eliminations	Remaining balance	Eliminations	Remaining balance
Deferred income tax assets	(10,921,354.40)	277,591,318.38	–	202,160,180.82
Deferred income tax liabilities	(10,921,354.40)	5,241,068.91	–	–

V. Notes to Key Items of the Consolidated Financial Statements (continued)

13. Deferred Tax Assets/Liability (continued)

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

	2018	2017
Deductible temporary differences	114,578,765.10	7,351,815.84
Deductible losses	519,111,279.33	182,779,475.01
	633,690,044.43	190,131,290.85

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

	2018	2017
2018	–	15,394,012.12
2019	11,426,185.85	11,426,185.85
2020	39,216,529.88	39,216,529.88
2021	28,795,554.32	28,795,554.32
2022	87,829,829.00	87,947,192.84
2023	351,843,180.28	–
	519,111,279.33	182,779,475.01

14. Other Non-current Assets

	2018	2017
Deductible input VAT	59,475,205.39	86,184,449.39
Prepayment of deposits for sea area use rights	43,760,000.00	43,760,000.00
Prepayments for engineering equipment expenses	14,315,025.10	3,292,228.70
	117,550,230.49	133,236,678.09

V. Notes to Key Items of the Consolidated Financial Statements (continued)

15. Asset Impairment Provision

2018

	Opening balance	Provision for the year	Decrease during the year: Reversal	Decrease during the year: Write-off	Closing balance
Provision for bad debts					
Including: Accounts receivable	34,070,096.58	1,145,132.16	(22,550,489.75)	–	12,664,738.99
Other receivable	680,164.78	1,362,199.80	(53,253.67)	–	1,989,110.91
Fixed assets impairment provision	5,763,363.96	65,008,127.72	–	–	70,771,491.68
Inventory impairment	–	7,870,140.45	(87,077.56)	(15,803.02)	7,767,259.87
Provision for impairment of the long-term equity investment	20,800,000.00	–	–	–	20,800,000.00
	61,313,625.32	75,385,600.13	(22,690,820.98)	(15,803.02)	113,992,601.45

2017

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

16. Short-term Borrowings

	2018	2017
Unsecured borrowings	890,000,000.00	1,300,000,000.00

As at 31 December 2018, the interest rate of the above borrowing was 4.13%-4.99% per annum (31 December 2017: 3.92%).

As at 31 December 2018, the Group has no overdue borrowings (31 December 2017: nil).

V. Notes to Key Items of the Consolidated Financial Statements (continued)

17. Bills payable and Accounts Payable

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

	2018	2017
Accounts payable	162,505,803.68	218,205,613.84

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

An ageing analysis of accounts payable is as follows:

	2018	2017
Within 1 year	144,640,696.34	209,846,241.10
1 to 2 years	12,027,103.87	3,126,639.63
2 to 3 years	2,222,909.38	2,090,676.60
Over 3 years	3,615,094.09	3,142,056.51
	162,505,803.68	218,205,613.84

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

18. Deposits Received

	2018	2017
Port handling fees	–	518,928,935.83
Weighing fees	–	2,347,190.37
Others	–	1,200,431.50
	–	522,476,557.70

As at 31 December 2017, the Group had no significant deposits received aging more than 1 year.

19. Contract Liabilities

	1 January 2018 (based on the New Revenue Standard)	Increase in the year	Revenue recognized	Other changes	31 December 2018
Port handling fees	518,928,935.83	6,621,131,700.14	(6,633,782,975.84)	(15,254,294.14)	491,023,365.99
Weighing fees	2,347,190.37	15,401,594.30	(14,610,711.40)	(683,338.85)	2,454,734.42
Others	1,200,431.50	2,334,210.23	(1,581,984.55)	(1,470,806.85)	481,850.33
	522,476,557.70	6,638,867,504.67	(6,649,975,671.79)	(17,408,439.84)	493,959,950.74

V. Notes to Key Items of the Consolidated Financial Statements (continued)

20. Employee Benefits Payable

2018

	Opening balance	Accrued	Paid	Closing balance
Short-term employee benefits	254,508,488.70	1,641,526,939.10	1,626,631,293.84	269,404,133.96
Post-employment benefits (defined contribution plans)	42,662,465.75	360,076,456.84	379,485,397.19	23,253,525.40
Early retirement schemes due within one year (Note V, 26)	45,888,244.27	178,926,218.46	64,424,056.80	160,390,405.93
	343,059,198.72	2,180,529,614.40	2,070,540,747.83	453,048,065.29

Short-term employee benefits are as follows:

	Opening balance	Accrued	Paid	Closing balance
Salaries, bonuses, allowances and subsidies	240,080,000.00	1,200,040,363.55	1,187,110,363.55	253,010,000.00
Staff welfare	–	117,395,990.48	117,275,896.14	120,094.34
Social insurance	13,179.88	117,849,781.81	117,862,961.69	–
Including: Medical insurance	–	95,818,979.09	95,818,979.09	–
Work injury insurance	13,179.88	16,659,195.48	16,672,375.36	–
Maternity insurance	–	5,371,607.24	5,371,607.24	–
Housing funds	8,921,692.51	144,860,849.48	143,798,026.38	9,984,515.61
Union fund and employee education fund	5,040,229.96	33,683,016.76	32,433,722.71	6,289,524.01
Short-term paid leaves	–	22,313,569.21	22,313,569.21	–
Other short-term employee benefits	453,386.35	5,383,367.81	5,836,754.16	–
	254,508,488.70	1,641,526,939.10	1,626,631,293.84	269,404,133.96

Defined contribution plans are as follows:

	Opening balance	Accrued	Paid	Closing balance
Basic pension	180,150.72	255,950,981.58	256,131,132.30	–
Unemployment insurance	6,305.27	7,812,598.24	7,818,903.51	–
Enterprise annuity contribution (Note)	42,476,009.76	96,312,877.02	115,535,361.38	23,253,525.40
	42,662,465.75	360,076,456.84	379,485,397.19	23,253,525.40

V. Notes to Key Items of the Consolidated Financial Statements (continued)

20. Employee Benefits Payable (continued)

2017

	Opening balance	Accrued	Paid	Closing balance
Short-term employee benefits	16,797,527.31	1,955,920,773.91	1,718,209,812.52	254,508,488.70
Post-employment benefits (defined contribution plans)	20,416.24	297,703,126.61	255,061,077.10	42,662,465.75
Early retirement schemes due within one year (26 of Note V)	68,182,767.76	47,892,188.13	70,186,711.62	45,888,244.27
	85,000,711.31	2,301,516,088.65	2,043,457,601.24	343,059,198.72

Short-term employee benefits are as follows:

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

Defined contribution plans are as follows:

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

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

V. Notes to Key Items of the Consolidated Financial Statements (continued)

21. Taxes Payable

	2018	2017
Value-added tax	**906,457.03**	229,287.12
Enterprise income tax	**125,869,064.38**	90,622,484.71
Individual income tax	**3,880,665.98**	10,925,227.91
Environmental Protection tax	**77,122,852.84**	–
Urban maintenance and construction tax	**64,537.28**	21,613.41
Education surcharge	**46,098.06**	15,438.16
Others	**975,623.79**	112,685.56
	208,865,299.36	101,926,736.87

22. Other Payables

	2018	2017
Interest Payable	**9,965,877.52**	11,080,299.21
Dividend Payable	**1,380.27**	279,371,035.49
Other Payables	**1,336,040,682.74**	970,848,422.55
	1,346,007,940.53	1,261,299,757.25
Other Payables		
Engineering equipment expenses	**792,717,291.70**	881,545,918.90
Land premium	**500,776,746.88**	–
Sewage charges of dust	**18,002,926.68**	49,843,605.96
Others	**24,543,717.48**	39,458,897.69
	1,336,040,682.74	970,848,422.55

V. Notes to Key Items of the Consolidated Financial Statements (continued)

22. Other Payables (continued)

As at 31 December 2018, significant other payables aging more than 1 year are as follows:

	Sums payable	Outstanding reason
Engineering equipment expenses payable	**533,881,599.66**	**Not yet settled**

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

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

23. Non-current liabilities due within one year

	2018	2017
Long-term borrowings due within one year (Note V, 24)	**403,324,000.00**	333,524,000.00
Long-term payables due within one year (Note V, 25)	**400,000.00**	400,000.00
	403,724,000.00	333,924,000.00

24. Long-term borrowings

	2018	2017
Unsecured borrowings	**6,542,290,492.98**	6,824,014,492.98
Less: long-term borrowings due within one year	**403,324,000.00**	333,524,000.00
Non-current portion	**6,138,966,492.98**	6,490,490,492.98

As at 31 December 2018, the interest rate of the above borrowings ranged from 4.28%-5.15% per annum (31 December 2017: 4.28%-5.15%).

V. Notes to Key Items of the Consolidated Financial Statements (continued)

24. Long-term borrowings (continued)

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

	2018	2017
Within 1 year (including 1 year)	**403,324,000.00**	333,524,000.00
Within 2 years (including 2 years)	**602,284,000.00**	615,418,949.00
Within 3 to 5 years (including 3 years and 5 years)	**2,043,577,449.48**	2,461,067,198.00
Over 5 years	**3,493,105,043.50**	3,414,004,345.98
	6,542,290,492.98	6,824,014,492.98

25. Long-term payables

	2018	2017
Long-term payables	**239,200,000.00**	239,600,000.00
Including: amount due within one year	**400,000.00**	400,000.00
Non-current portion	**238,800,000.00**	239,200,000.00

As at 31 December 2018, the Group recognized the corresponding equity payables of RMB239.2 million (31 December 2017: RMB239.6 million) under the equity repurchase commitment with Tangshan Jingtang Railway Co., Ltd. during the year.

The long-term payables of the Group expected to be paid in the future:

	2018	2017
Within 1 year (including 1 year)	**400,000.00**	400,000.00
Within 2 years (including 2 years)	**400,000.00**	400,000.00
Within 3 to 5 years (including 3 years and 5 years)	**204,400,000.00**	202,800,000.00
Over 5 years	**34,000,000.00**	36,000,000.00
	239,200,000.00	239,600,000.00
Less: amount due within one year	**400,000.00**	400,000.00
Long-term payables	**238,800,000.00**	239,200,000.00

V. Notes to Key Items of the Consolidated Financial Statements (continued)

26. Long-term Employee Remuneration Payables

Other long-term employee benefits

	2018	2017
Early retirement schemes payable	479,401,487.71	94,542,324.52
Including: amount due within one year	160,390,405.93	45,888,244.27
Non-current portion	319,011,081.78	48,654,080.25

Change in early retirement schemes payable are as follows:

	2018	2017
Early retirement schemes		
Opening balance	94,542,324.52	139,990,311.60
Increase in the year	449,283,219.99	24,738,724.54
Decrease in the year	(64,424,056.80)	(70,186,711.62)
Closing balance	479,401,487.71	94,542,324.52

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

	2018	2017
Undiscounted amount		
Within 1 year	160,390,405.93	45,888,244.27
1 year to 2 years	125,417,111.41	23,422,684.52
2 years to 3 years	93,059,649.39	12,741,951.08
Over 3 years	135,651,927.03	19,546,819.93
	514,519,093.76	101,599,699.80
Unrecognized financing cost	(35,117,606.05)	(7,057,375.28)
	479,401,487.71	94,542,324.52

The Group has optimized and adjusted the posts of the employees who met certain conditions on a voluntary basis, and has formulated and implemented the policy of “Leaving Posts and Waiting for Retirement”. The Group has the obligation to pay the costs on employees who leave their posts and wait for retirement in the next 1 year to 10 years until the employees reach their statutory retirement age. The costs on employees who leave their posts and wait for retirement are determined with reference to certain proportion of the average monthly wages of the previous year before the employees officially leave their posts and wait for retirement. In the meantime, the Group will make provision and pay for insurance and housing fund for those employees under local requirements for social insurance. Taking into account future payment obligations of the costs on employees who leave their posts and wait for retirement, such costs will be accounted into the administrative expenses on a one-off basis in accordance with discounted China bond and government bond yields for the corresponding period.

V. Notes to Key Items of the Consolidated Financial Statements (continued)

27. Estimated liabilities

2018

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Pending litigation	**33,860,000.00**	**–**	**–**	**33,860,000.00**

2017

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Pending litigation	–	33,860,000.00	–	33,860,000.00

Note: In January 2018, Cangzhou Bohai Port Co., Ltd (滄州渤海港務有限公司) ("Cangzhou Bohai Port"), a subsidiary of the Company, received a summons from the Intermediate People's Court of Cangzhou City, Hebei Province, China, in relation to a lawsuit filed against Cangzhou Bohai Port as a defendant by China Construction Sixth Engineering Division Co., Ltd. ("CCSED"). The CCSED alleged that it undertook the construction of Information Center of Huanghua Port of Cangzhou Bohai Port and requested Cangzhou Bohai Port to pay the construction fee for the above project of RMB33,864,106.08 and relevant interests and requested that the litigation fee and maintenance fee shall be borne by Cangzhou Bohai Port. In accordance with the requirements of the Accounting Standards for Business Enterprises, the Group confirmed the estimated liabilities of RMB33,860,000.00 for the litigation in 2017.

As of the date of approval of the financial statements, the first trial of the case is still pending.

28. Deferred Income

	2018	2017
Government grants in relation to assets		
Special environmental subsidy	**173,026,993.91**	189,640,177.15
Subsidy for retrofitting of contingency coal storage depot	**99,250,000.00**	118,750,000.00
Technology center project funds	**2,237,499.96**	2,354,166.64
Others	**1,728,944.44**	58,333.33
	276,243,438.31	310,802,677.12
Government grants in relation to income Technology center project funds	**500,000.00**	380,000.00
	276,743,438.31	311,182,677.12

V. Notes to Key Items of the Consolidated Financial Statements (continued)

28. Deferred Income (continued)

As at 31 December 2018, liabilities items related to government grants are as follows:

	Opening balance	Increase in the year	Recognized in other revenue in the year	Closing balance	Related to assets/income
Special environmental subsidy	189,640,177.15	–	16,613,183.24	173,026,993.91	Related to assets
Retrofitting of contingency coal storage depot	118,750,000.00	–	19,500,000.00	99,250,000.00	Related to assets
Technology center project funds	2,354,166.64	–	116,666.68	2,237,499.96	Related to assets
Others	58,333.33	1,690,000.00	19,388.89	1,728,944.44	Related to assets
Technology center project funds	380,000.00	200,000.00	80,000.00	500,000.00	Related to income
	311,182,677.12	1,890,000.00	36,329,238.81	276,743,438.31	

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

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

V. Notes to Key Items of the Consolidated Financial Statements (continued)

29. Share Capital

2018

	Number at the beginning of the year	Changes during the year: Issuance of new shares	Changes during the year: Others	Changes during the year: Subtotal	Number at the end of the year
I. Shares subject to selling restrictions					
1. State-owned shares	621,455,485.00	–	(621,455,485.00)	(621,455,485.00)	–
2. Shares held by State-owned legal persons	3,522,871,539.00	–	(459,804,697.00)	(459,804,697.00)	3,063,066,842.00
3. Other	55,231,976.00	–	(13,984,614.00)	(13,984,614.00)	41,247,362.00
Total of shares subject to selling restrictions	4,199,559,000.00	–	(1,095,244,796.00)	(1,095,244,796.00)	3,104,314,204.00
II. Shares not subject to selling restrictions					
1. RMB-denominated ordinary shares	558,000,000.00	–	1,095,244,796.00	1,095,244,796.00	1,653,244,796.00
2. Overseas listed foreign shares	829,853,000.00	–	–	–	829,853,000.00
Total of shares not subject to selling restrictions	1,387,853,000.00	–	1,095,244,796.00	1,095,244,796.00	2,483,097,796.00
Total of shares	5,587,412,000.00	–	–	–	5,587,412,000.00

V. Notes to Key Items of the Consolidated Financial Statements (continued)

29. Share Capital (continued)

2017

	Number at the beginning of the year	Changes during the year: Issuance of new shares	Others	Subtotal	Number at the end of the year
I. Shares subject to selling restrictions					
1. State-owned shares	621,455,485.00	–	–	–	621,455,485.00
2. Shares held by State-owned legal persons	3,522,871,539.00	–	–	–	3,522,871,539.00
3. Other	55,231,976.00	–	–	–	55,231,976.00
Total of shares subject to selling restrictions	4,199,559,000.00	–	–	–	4,199,559,000.00
II. Shares not subject to selling restrictions					
1. RMB-denominated ordinary shares (Note)	–	558,000,000.00	–	558,000,000.00	558,000,000.00
2. Overseas listed foreign shares	829,853,000.00	–	–	–	829,853,000.00
Total of shares not subject to selling restrictions	829,853,000.00	558,000,000.00	–	558,000,000.00	1,387,853,000.00
Total of shares	5,029,412,000.00	558,000,000.00	–	558,000,000.00	5,587,412,000.00

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

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

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

V. Notes to Key Items of the Consolidated Financial Statements (continued)

30. Capital Reserve

2018

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Share premium	5,196,156,925.69	–	–	5,196,156,925.69
Others (Note 1)	7,363,053.63	–	(701,170.85)	6,661,882.78
	5,203,519,979.32	–	(701,170.85)	5,202,818,808.47

2017

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Share premium (Note 2)	4,499,014,774.98	747,720,000.00	(50,577,849.29)	5,196,156,925.69
Others	7,363,053.63	–	–	7,363,053.63
	4,506,377,828.61	747,720,000.00	(50,577,849.29)	5,203,519,979.32

Note 1: During the year, the Company made a capital contribution to its subsidiary, Cangzhou Huanghuagang Mineral Port Co., Ltd.* (滄州黃驊港礦石港務有限公司) (hereinafter referred to as "Cangzhou Mineral") by its own, resulting in a change in percentage of shareholding, which in turn resulted in the decrease in the capital reserve by RMB701,170.85.

Note 2: In 2017, the Company publicly issued A Shares to raise fund, with a par value of RMB1 per A Share and an issuance price of RMB2.34 per A Share. The portion of the issuance price above the par value is included in the share premium. Meanwhile, the Company will offset the share premium with the issuance expense directly related to the A Share issuance.

V. Notes to Key Items of the Consolidated Financial Statements (continued)

31. Other Comprehensive Income

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

	1 January 2018	Increase/ (decrease)	31 December 2018
Other comprehensive income accounted for using equity method which will be reclassified to profit and loss	15,001.80	(14,701.42)	300.38
Changes in fair value of other equity instruments investment (Note)	164,632,590.74	(169,444,676.49)	(4,812,085.75)
Exchange differences arising from translation of foreign currency denominated financial statements	1,687,927.38	2,032,603.16	3,720,530.54
	166,335,519.92	(167,426,774.75)	(1,091,254.83)

	1 January 2017	Increase/ (decrease)	31 December 2017
Other comprehensive income accounted for using equity method which will be reclassified to profit and loss	–	15,001.80	15,001.80
Exchange differences arising from translation of foreign currency denominated financial statements 4	4,623,646.56	(2,935,719.18)	1,687,927.38
	4,623,646.56	(2,920,717.38)	1,702,929.18

Note: The Group began to apply for new Financial Instruments Standards since 1 January 2018. For details, please refer to Note V. 9.

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

2018

	Amount before tax	Less: Other comprehensive Income previously recognised to be transferred to current profit or loss	Less: Other Comprehensive income previously recognised to be transferred to current retained profit or loss	Transfer Less: Income tax	Attributable to the parent company	Attributable to minority interest
Other comprehensive income which will not be reclassified to profit and loss						
Changes in fair value of other investments in equity instruments	(169,444,676.49)	-	-	-	(169,444,676.49)	(8,482,745.46)
Changes in fair value of other investments in equity instruments						
Other comprehensive income accounted for using equity method which will be reclassified to profit and loss	(14,701.42)	-	-	-	(14,701.42)	-
Exchange differences arising on translation	2,032,603.16	-	-	-	2,032,603.16	-
	(167,426,774.75)	-	-	-	(167,426,774.75)	(8,482,745.46)

V. Notes to Key Items of the Consolidated Financial Statements (continued)

31. Other Comprehensive Income (continued)

2017

	Amount before tax	Less: Other comprehensive Income previously recognised to be transferred to current profit or loss	Less: Other Comprehensive income previously recognised to be transferred to current retained profit or loss	Transfer Less: Income tax	Attributable to the parent company	Attributable to minority interest
Changes in fair value of other investments in equity instruments						
Other comprehensive income accounted for using equity method which will be reclassified to profit and loss	15,001.80	–	–	–	15,001.80	–
Exchange differences arising on translation	(2,935,719.18)	–	–	–	(2,935,719.18)	–
	(2,920,717.38)	–	–	–	(2,920,717.38)	–

32. Special Reserve

2018

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Production safety expense	**51,433,165.56**	**73,384,419.47**	**(44,090,617.06)**	**80,726,967.97**

2017

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Production safety expense	18,615,022.77	56,552,248.32	(23,734,105.53)	51,433,165.56

Pursuant to the Notice on Issue of Administrative Measures of Withdrawal and Use of Corporate Production Safety Expenses (《關於印發＜企業生產安全費用提取和使用管理辦法＞的通知》) (Cai Qi [2012] No.16) issued by the Ministry of Finance of the PRC together with the State Administration of Work Safety, the Group started to accrue the safety production expenses from 2012.

V. Notes to Key Items of the Consolidated Financial Statements (continued)

33. Surplus Reserve

2018

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Statutory surplus reserve	**1,140,530,908.83**	**95,008,021.85**	**–**	**1,235,538,930.68**

2017

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Statutory surplus reserve	1,044,974,250.76	95,556,658.07	–	1,140,530,908.83

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

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

34. Retained Profits

	2018	2017
Retained profits at the beginning of the year	**1,420,731,065.74**	832,687,475.08
Net profit attributable to shareholders of the parent	**810,263,268.11**	962,970,848.73
Less: Appropriation to statuary surplus reserve	**95,008,021.85**	95,556,658.07
Cash dividend payable for common shares (Note)	**346,419,544.00**	279,370,600.00
Retained profits at the end of the year	**1,789,566,768.00**	1,420,731,065.74

Note: Pursuant to the Resolution on 2017 Profit Distribution deliberated at the eighth meeting of the third session of the supervisory committee of Qinhuangdao Port Co., Ltd. held on 30 March 2018, the Company proposed to pay a cash dividend totaling RMB346,419,544.00 to all the Shareholders, which is calculated based on 5,587,412,000 Shares in issue and RMB0.062 per share (inclusive of tax). The abovementioned proposal was approved on the 2017 Annual General Meeting held on 20 June 2018.

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

V. Notes to Key Items of the Consolidated Financial Statements (continued)

35. Operating Revenue and Cost

	2018	2017
Revenue from the principal operations	**6,855,827,818.73**	7,025,427,437.68
Revenue from other operations	**20,804,558.90**	7,240,297.10
	6,876,632,377.63	7,032,667,734.78

	2018	2017
Cost of the principal operations	**4,013,338,634.69**	4,525,389,286.11
Cost of other operations	**5,708,755.69**	1,995,931.55
	4,019,047,390.38	4,527,385,217.66

Revenue is as follows:

	2018	2017
Revenue from service in relation to coal and relevant products	**5,352,601,924.53**	5,360,058,109.72
Revenue from service in relation to metal ore and relevant products	**1,128,386,908.96**	1,212,162,376.34
Revenue from service in relation to general and other cargoes	**128,860,557.45**	176,418,176.52
Revenue from container service	**87,290,169.19**	103,654,855.85
Revenue from service in relation to liquefied cargoes	**58,101,119.75**	66,975,920.37
Revenue from others	**121,391,697.75**	113,398,295.98
	6,876,632,377.63	7,032,667,734.78

V. Notes to Key Items of the Consolidated Financial Statements (continued)

36. Tax and Surcharges

	2018	2017
Urban maintenance and construction tax and education surcharge	**17,440,856.93**	21,059,439.54
Land use tax	**46,480,363.33**	60,617,391.69
Real estate tax	**14,759,500.13**	13,040,245.76
Stamp duty	**1,734,136.39**	2,167,383.26
Vehicles and vessels use tax	**703,710.78**	661,952.42
Environmental protection tax	**280,526,157.58**	–
	361,644,725.14	97,546,412.67

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

37. Administrative Expenses

	2018	2017
Payroll and cost of outsourcing labor	**583,083,907.48**	666,142,232.20
Early retirement schemes (Note V, 26)	**449,283,219.99**	24,738,724.54
Depreciation and amortization	**53,797,472.76**	56,613,387.88
Repair and maintenance expenses	**23,534,304.84**	29,555,412.75
Office charges	**16,556,711.85**	18,157,169.19
Epidemic prevention expenses	**10,456,142.14**	9,147,436.93
Travel expenses	**7,663,031.39**	11,305,272.94
Rental expenses	**7,661,584.84**	10,280,641.15
Auditors' remuneration	**5,377,358.49**	4,198,113.21
Business entertainment expenses	**5,322,330.38**	7,832,720.92
Information disclosure and announcement expenses	**2,825,356.89**	16,421,741.95
Others	**65,084,688.35**	83,154,576.44
	1,230,646,109.40	937,547,430.10

V. Notes to Key Items of the Consolidated Financial Statements (continued)

38. Research and Development Expenses

	2018	2017
Staff labor costs	8,542,383.32	9,286,629.66
Commissioned research and development expense	2,680,949.30	2,285,552.00
Others	350,912.58	331,443.00
	11,574,245.20	11,903,624.66

39. Financial Cost

	2018	2017
Interest expenses	352,273,663.99	442,059,547.29
Including: interest on bank loans repayable within 5 years	160,882,309.16	286,977,039.19
interest on other loans	191,391,354.83	155,082,508.10
Less: interest income	30,659,370.91	37,548,241.19
Less: capitalised interest	4,053,365.36	60,977,478.73
Foreign exchange (gain)/loss	(4,478,804.79)	12,825,814.83
Others	3,123,459.95	375,248.09
	316,205,582.88	356,734,890.29

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

The breakdown of interest income is as follows:

	2018	2017
Cash and Bank Balances	30,659,370.91	37,548,241.19

V. Notes to Key Items of the Consolidated Financial Statements (continued)

40. Asset Impairment Loss

	2018	2017
Loss for bad debts(applicable to 2017 only)	–	8,531,904.81
Provisions for impairment of long-term equity investment	–	20,800,000.00
Provisions for inventory impairment	**7,783,062.89**	–
Fixed assets impairment provision	**65,008,127.72**	–
	72,791,190.61	29,331,904.81

41. Impairment loss of credit (applicable to 2018 only)

	2018	2017
Loss of bad debts for bills receivable and accounts receivable	**(21,405,357.59)**	–
Loss of bad debts for other receivable	**1,308,946.13**	–
	(20,096,411.46)	–

42. Other Income

	2018	2017
Government subsidy related to daily activities	**37,782,711.40**	74,346,469.71
Refund of withholding personal income tax	**748,295.04**	584,506.51
	38,531,006.44	74,930,976.22

V. Notes to Key Items of the Consolidated Financial Statements (continued)

42. Other Income (continued)

The government subsidy related to daily activities are as follows:

	2018	2017	Related to assets/income
Retrofitting of contingency coal storage depot (Note 1)	**19,500,000.00**	19,500,000.00	Related to assets
Container subsidy (Note 2)	**1,053,600.00**	8,026,400.00	Related to income
Special environmental subsidy (Note 3)	**16,613,183.24**	16,186,699.07	Related to assets
Employment subsidy (Note 4)	**–**	29,115,886.37	Related to income
Others	**615,928.16**	1,517,484.27	
	37,782,711.40	74,346,469.71	

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

Note 2: Such government subsidies were the subsidies for the number of containers recognized by Xin'gangwan Container Terminal Co., Ltd. (新港灣集裝箱碼頭有限公司). According to the Notice on Printing and Distributing Management Measures for the Special Fund for Strategic Emerging Industry Development (Port Container Transport Subsidy) (Ji Cai Jian [2017] No.50) issued by the Municipal Finance Bureau and the Municipal Environmental Protection Bureau of Qinhuangdao. The purpose of the container subsidies is to subsidize the inland port and 10,000 TEU container yards that are engaged in port container transportation services at ports in Hebei Province with annual business volume of more than 20,000 TEUs.

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

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

V. Notes to Key Items of the Consolidated Financial Statements (continued)

43. Investment Income

	2018	2017
Long-term equity investment income accounted for under the equity method	**72,720,649.20**	101,250,625.55
Dividend income on holding available-for-sale financial assets	–	4,172,048.94
Dividend income on other equity instrument investments held	**6,920,518.48**	–
Investment income generated from disposal of subsidiaries	–	8,366,280.02
Investment income from disposal of financial assets held for trading	**6,464,446.94**	4,649,180.39
Investment income from disposal of available-for-sale financial assets	–	367,153.00
	86,105,614.62	118,805,287.90

44. Income of Disposal of Assets

	2018	2017
Loss of disposal of intangible assets	–	(4,187,213.00)
Income of disposal of fixed assets	**3,810,534.08**	–
	3,810,534.08	(4,187,213.00)

45. Non-operating Income

	2018	2017	Including 2018 non-recurring gains and losses
Gains from spoilage and obsolescence of non-current assets	**7,612,658.88**	6,026,879.54	7,612,658.88
Government subsidy	**2,000,000.00**	–	2,000,000.00
Payables waived	**6,675,322.57**	423,764.60	6,675,322.57
Others	**1,991,169.50**	2,812,335.68	1,991,169.50
	18,279,150.95	9,262,979.82	18,279,150.95

V. Notes to Key Items of the Consolidated Financial Statements (continued)

46. Non-operating Expenses

	2018	2017	Including 2018 non-recurring gains and losses
Losses from spoilage and obsolescence of non-current assets	**2,495,452.23**	5,312,797.89	2,495,452.23
Public welfare donation expenses	**102,000.00**	452,000.00	102,000.00
Pending litigation	**–**	33,860,000.00	–
Others	**741,426.85**	1,547,439.90	741,426.85
	3,338,879.08	41,172,237.79	3,338,879.08

47. Expense by Nature

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

	2018	2017
Payroll and labor costs (Note)	**2,528,016,514.85**	2,394,034,068.96
Depreciation and amortization	**1,246,071,641.99**	1,188,052,071.19
Power and fuel costs	**331,788,315.54**	321,246,074.30
Consumption expense of machinery	**183,766,281.47**	173,797,223.39
Rental expenses	**132,652,209.28**	131,685,498.78
Environmental protection and sewage charges	**–**	192,364,784.12
Repair and maintenance expenses	**480,832,858.43**	692,143,355.64
Others	**358,161,605.18**	383,590,239.18
	5,261,289,426.74	5,476,913,315.56

Note: Payroll for 2018 included early retirement schemes of RMB449,283,219.99 (2017: RMB24,738,724.54). Please refer to Note V-26 Long-term Employee benefits payable for details.

V. Notes to Key Items of the Consolidated Financial Statements (continued)

48. Income Tax Expense

	2018	2017
Current income tax expenses	**409,944,323.72**	366,158,995.37
Deferred income tax expenses	**(75,431,137.56)**	(37,592,328.00)
	334,513,186.16	328,566,667.37

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

	2018	2017
Total profit	**1,028,185,290.73**	1,229,781,004.60
Income tax expenses at the statutory tax rate	**257,046,322.68**	307,445,251.15
Effect of different tax rates of subsidiaries	**(25,794,617.99)**	(19,686,094.91)
Income not subject to tax	**(1,730,129.62)**	(1,043,012.24)
Share of profits and losses of joint ventures and associates	**(18,180,162.30)**	(25,312,656.39)
Expenses not deductible for tax	**10,559,263.33**	25,544,844.70
Utilizing deductible losses not recognized in previous years	**(804,410.80)**	(3,931,695.42)
Unrecognized deductible losses	**87,960,795.07**	38,089,657.27
Unrecognized deductible temporary differences	**26,821,460.04**	(464,443.51)
Adjustments in respect of current income tax of previous periods	**(4,175,188.91)**	3,194,378.95
Others	**2,809,854.66**	4,730,437.77
Income tax expense at the Group's effective rate	**334,513,186.16**	328,566,667.37

V. Notes to Key Items of the Consolidated Financial Statements (continued)

49. Earnings per Share

	2018	2017
Basic and diluted earnings per share from continuing operations	**0.15**	0.18

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

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

	2018	2017
Earnings		
Net profit for the year attributable to ordinary shareholders of the Company from continuing operations	**810,263,268.11**	962,970,848.73
Shares		
Weighted average number of ordinary shares in issue of the Company	**5,587,412,000.00**	5,240,381,863.01

The Company had no dilutive potential ordinary shares in issue during 2018 (2017: nil).

V. Notes to Key Items of the Consolidated Financial Statements (continued)

50. Notes to the Statement of Cash Flows

	2018	2017
Cash received relating to other operating activities		
Interest income from bank deposit	**30,659,370.91**	37,548,241.19
Government subsidy	**6,091,767.63**	84,101,437.30
Others	**13,209,181.15**	19,058,167.62
	49,960,319.69	140,707,846.11
Cash paid relating to other operating activities		
Rental expenses	**132,652,209.28**	131,685,498.78
Sewage charges	**31,840,679.28**	189,387,864.06
Insurance	**25,854,183.39**	30,000,645.56
Sanitary charges, afforestation fee	**15,387,937.74**	11,661,378.95
Travel expenses	**7,594,897.44**	11,238,823.95
Office charges, conference expenses	**7,364,929.66**	10,934,583.86
Banking business fees	**3,123,459.95**	375,248.09
Research and development expenses	**3,031,861.88**	2,616,995.00
Professional service fee	**11,248,039.00**	13,936,218.79
Others	**74,197,595.34**	67,446,174.32
	312,295,792.96	469,283,431.36
Cash received relating to other investing activities		
Payment guarantee deposits received from project construction	**–**	215,280.00
Recovery of equity transfer consideration	**1,068,900.00**	–
	1,068,900.00	215,280.00
Other cash paid for investing activities		
Litigation preservation fee	**49,598,181.08**	–
Payment of finance lease fee	**144,219,700.00**	–
	193,817,881.08	–
Cash payments relating to other financing activities		
Listing related expense paid	**–**	64,470,849.53

V. Notes to Key Items of the Consolidated Financial Statements (continued)

51. Supplemental Information to Statement of Cash Flows

(1) Supplemental information to statement of cash flows

Reconciliation of net profit to cash flows from operating activities:

	2018	2017
Net profit	693,672,104.57	901,214,337.23
Add: Credit impairment loss	(20,096,411.46)	8,531,904.81
Asset impairment loss	72,791,190.61	20,800,000.00
Fixed assets depreciation	1,197,707,749.71	1,139,579,407.54
Amortization of intangible assets	47,930,586.72	47,644,285.47
Amortization of investment property	–	123,500.00
Amortization of long-term deferred expenses	675,876.48	704,878.18
Amortization of deferred income	(36,329,238.81)	(35,780,032.41)
(Gain)/loss on disposal of fixed assets, intangible assets and other long-term assets	(8,927,740.73)	3,473,131.35
Financial costs	343,741,493.84	393,907,883.39
Investment income	(86,105,614.62)	(118,805,287.90)
Increase in deferred income tax assets	(75,431,137.56)	(37,592,328.00)
Decrease in inventories	955,347.52	2,219,918.04
(Increase)/decrease in other current assets	(21,789,616.07)	70,109,052.53
Decrease/(increase) in operating receivables	165,076,083.60	(179,258,827.58)
Increase in operating payables	396,388,806.21	654,582,455.88
Increase in special reserve	26,943,866.75	31,793,545.60
Net cash flows from operating activities	2,697,203,346.76	2,903,247,824.13

Major non-cash investing and financing activities:

	2018	2017
Endorsed bank acceptance notes received from sale of goods or rendering of services	19,729,854.02	14,153,860.14

V. Notes to Key Items of the Consolidated Financial Statements (continued)

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

(1) Supplemental information to statement of cash flows (continued)

Net movements in cash and cash equivalents:

	2018	2017
Balances of cash at end of the year	**1,984,473,726.56**	999,146,654.18
Less: Balances of cash at beginning of the year	**999,146,654.18**	1,149,805,681.56
Net increase/(decrease) in cash and cash equivalents	**985,327,072.38**	(150,659,027.38)

(2) Information on subsidiaries and other business units disposed

Information on subsidiaries and other business units disposed

	2018	2017
Prices at which subsidiaries and other business units were disposed	–	578,119,365.14
Cash and cash equivalents received from the disposal of subsidiaries and other business units	–	514,807,012.80
Less: Cash and cash equivalents held by subsidiaries and other business units acquired	–	12,006,241.37
Net cash received for the disposal of subsidiaries and other business units	–	502,800,771.43

(3) Cash and Cash Equivalents

	2018	2017
Cash	**1,984,473,726.56**	999,146,654.18
Including: Cash on hand	**45,370.83**	480,999.47
Bank deposits on demand	**1,984,428,355.73**	998,665,654.71
Balance of cash and cash equivalents at the end of the year	**1,984,473,726.56**	999,146,654.18

V. Notes to Key Items of the Consolidated Financial Statements (continued)

52. Assets with Restricted Ownership

	2018	2017
Cash and bank balances	49,598,181.08	–

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

53. Foreign Currency Monetary Items

	2018			2017		
	Original currency	Exchange rate	Translated RMB	Original currency	Exchange rate	Translated RMB
Cash and bank balances						
US$	5,244,423.51	6.8632	35,993,527.44	5,207,505.88	6.5342	34,026,579.18
EUR	488.74	7.8473	3,835.29	488.74	7.8023	3,813.30
HK$	133,964,876.80	0.8762	117,380,025.05	233,305,249.33	0.8359	195,022,190.96
Other receivables						
HK$	1,920.67	0.8762	1,682.89	520.98	0.8359	435.49
US$	10,000.00	6.8632	68,606.46	10,000.00	6.5342	65,341.41
Bills receivable and accounts receivable						
US$	8,542.80	6.8632	58,629.09	42,472.65	6.5342	277,524.79
GBP	–	–	–	13,395.40	8.7792	117,600.90
Taxes payable						
HK$	17,367.92	0.8762	15,217.77	28,147.92	0.8359	23,529.13
Other payables						
HK$	63,218.72	0.8762	55,392.24	49,699,864.64	0.8359	41,544,613.86

VI. Changes in Consolidation Scope

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

VII. Interests in Other Entities

1. Interests in Subsidiaries

The subsidiaries of the Company are as follows:

	Place of principal business	Place of incorporation	Nature of business	Registered capital	Percentage of shareholding	
				RMB'0000	Direct (%)	Indirect (%)
Subsidiaries acquired through the equity contribution from HPG during the establishment of the Company						
Qinhuangdao Ruigang Technology Import & Export Co., Ltd. (秦皇島瑞港技術進出口有限公司)	Qinhuangdao city	Qinhuangdao city	Accessories sales	1,000	100.00	–
Qinhuangdao Xin'gangwan Container Terminal Co., Ltd. (秦皇島港新港灣集裝箱碼頭有限公司)	Qinhuangdao city	Qinhuangdao city	Loading and unloading services	40,000	55.00	–
Cangzhou Bohai Port Co., Ltd (滄州渤海港務有限公司)	Cangzhou city	Cangzhou city	Loading and unloading services	255,100	96.08	–
Subsidiaries acquired through establishment or investment						
Tangshan Caofeidian Coal Port Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	Tangshan city	Tangshan city	Loading and unloading services	180,000	51.00	–
Cangzhou Huanghuagang Mineral Port Co., Ltd. (滄州黃驊港礦石港務有限公司) (Note 1)	Cangzhou city	Cangzhou city	Loading and unloading services	271,535	98.90	–
Cangzhou Ocean Shipping Tally Co., Ltd. (滄州中理外輪理貨有限公司)	Cangzhou city	Cangzhou city	Cargo tallying services	500	33.00	23.00
Tangshan Caofeidian Jigang Coal Port Co., Ltd. (唐山曹妃甸冀港煤炭港務有限公司)	Tangshan city	Tangshan city	Loading and unloading services	5,000	99.00	–
Cangzhou Huanghuagang Crude Oil Port Co., Ltd. (滄州黃驊港原油港務有限公司) (Note 2)	Cangzhou city	Cangzhou city	Loading and unloading services	12000	65.00	–
Qinhuangdao Port GangSheng (Hong Kong) Co., Limited (秦皇島港港盛（香港）有限公司)	Hong Kong	Hong Kong	International trade	HK$50,000,000	100.00	–
Tangshan Port Investment & Development Co., Ltd. (唐山港口投資開發有限公司)	Tangshan city	Tangshan city	Port investment	200,000	56.00	–
Cangzhou Huanghua Port Bulk Cargo Port Co., Ltd (滄州黃驊港散貨港務有限公司) (Note 3)	Cangzhou city	Cangzhou city	Loading and unloading services	5,000	100.00	–
Tangshan Caofeidian Ocean Shipping Tally Co., Ltd. (唐山曹妃甸中理外輪理貨有限公司)	Tangshan city	Tangshan city	Cargo tallying services	300	–	100.00
Tangshan Caofeidian Jigang General Port Co., Ltd. (唐山曹妃甸冀港通用港務有限公司)	Tangshan city	Tangshan city	Loading and unloading services	5,000	100.00	–
Subsidiaries acquired through the merger of enterprises under common control						
China Ocean Shipping Tally Co., Ltd. Qinhuangdao Branch (秦皇島中理外輪理貨有限責任公司)	Qinhuangdao city	Qinhuangdao city	Cargo tallying services	1,274	84.00	–

Note 1: On 19 November 2018, Cangzhou Mineral held the second Extraordinary General Meeting of 2018, which considered and approved the Company to make a capital contribution by its own to Cangzhou Mineral in the amount of RMB819 million. Upon the capital contribution, the Company's percentages of shareholding increased to 98.90% from 98.47%. The changes of industrial and commercial registration was completed in December 2018.

Note 2: On 8 May 2018, Cangzhou Huanghua Port Crude Oil Stevedoring Co., Ltd. (滄州黃驊港原油港務有限公司) (hereinafter referred to as Cangzhou Crude Oil) held a general meeting, which considered and approved the Company to make a capital contribution to Cangzhou Crude Oil in the amount of RMB45.50 million, and the shareholding percentage of each shareholder increased in the same proportion. The changes of industrial and commercial registration was completed in June 2018.

Note 3: On 2 January 2018, Cangzhou Huanghuagang Coal Port Co., Ltd. changed its name to Cangzhou Huanghua Port Bulk Cargo Port Co., Ltd., and changed its business scope from the original coal loading and unloading services to the general cargo handling services.

VII. Interests in Other Entities (continued)

1. Interests in Subsidiaries (continued)

Subsidiaries with significant minority interests are as follows:

2018

	Percentage of shareholding of minority shareholders	Profit or loss attributable to minority shareholders	Dividend paid to minority shareholders	Accumulated minority interests at the end of year
Tangshan Caofeidian Coal Port Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	**49.00%**	**(102,675,912.56)**	**–**	**752,868,171.72**

2017

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

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

	31 December 2018	31 December 2017
Current assets	**363,127,225.12**	305,414,489.63
Non-current assets	**5,778,658,153.98**	5,313,235,107.78
Total assets	**6,141,785,379.10**	5,618,649,597.41
Current liabilities	**1,383,026,671.46**	799,756,536.80
Non-current liabilities	**3,222,293,051.06**	3,116,098,892.98
Total liabilities	**4,605,319,722.52**	3,915,855,429.78

	2018	2017
Revenue	**475,311,999.75**	169,630,437.84
Net loss	**(209,542,678.70)**	(111,893,148.38)
Other comprehensive income	**–**	–
Total comprehensive income	**(209,542,678.70)**	(111,893,148.38)
Net cash flows from operating activities	**364,570,355.54**	138,586,645.54

VII. Interests in Other Entities (continued)

2. Transactions resulting in changes in equity attributable to shareholders in subsidiaries without effects on right of control

On 19 November 2018, Cangzhou Mineral, a subsidiary of the Company, held the second Extraordinary General Meeting of 2018, which considered and approved the Company to make a capital contribution to Cangzhou Mineral by its own in the amount of RMB819 million. Upon the capital contribution, the Company's percentage of shareholding increased to 98.90% from 98.47%, resulting in an increase in the minority shareholders' equity by RMB701,170.85, and a decrease in capital reserve by RMB701,170.85.

3. Interests in Joint Ventures and Associates

	Place of principal business	Place of incorporation	Nature of business	Registered capita	Percentage of shareholding (%)		Accounting treatment
				RMB'0000	Direct	Indirect	
Joint ventures							
Bohai Jin-Ji Port Investment and Development Company Limited (渤海津冀港口投資發展有限公司)	Tianjin City	Tianjin City	Investment and development	200,000	50.00	–	Equity method
Jinji International Container Terminal Co., Ltd. (津冀國際集裝箱碼頭有限公司)	Cangzhou City	Cangzhou City	Loading and unloading services	10,000	10.00	45.00	Equity method
Associates							
Hebei Port Group Finance Co., Ltd. (河北港口集團財務有限公司)	Qinhuangdao city	Qinhuangdao city	Financial services	150,000	40.00	–	Equity method
Tangshan Caofeidian Shiye Port Co., Ltd. (唐山曹妃甸實業港務有限公司)	Tangshan City	Tangshan City	Loading and unloading services	200,000	35.00	–	Equity method
Qinhuangdao Xing'ao Qin'gang Energy Storage & Transportation Co., Ltd. (秦皇島興奧秦港能源儲運有限公司)	Qinhuangdao city	Qinhuangdao city	Energy services	5,000	40.00	–	Equity method
Handan International Land Port Co., Ltd. (邯鄲國際陸港有限公司)	Handan city	Handan city	Logistic services	80,000	–	20.00	Equity method
Tangshan Jingtang Railway Co., Ltd. (唐山京唐鐵路有限公司)	Tangshan City	Tangshan City	Railway construction and operation	140,000	14.29	–	Equity method
Xin Licheng Tally Co., Ltd. of Tangshan Caofeidian Comprehensive Bonded Zone (唐山曹妃甸綜合保税區鑫理程理貨有限責任公司)	Tangshan City	Tangshan City	Tally services	300	–	30.00	Equity method
Cangzhou Bohai New Zone Gangxing Tugboat Co., Ltd. (滄州渤海新區港興拖輪有限公司)	Cangzhou City	Cangzhou City	Tugging services	40,573.43	–	35.00	Equity method
Zhejiang Yuehua Energy Detection Co., Ltd. (浙江越華能源檢測有限公司)	Ningbo City	Ningbo City	Retail business	1,378.75	15.00	–	Equity method

VII. Interests in Other Entities (continued)

3. Interests in Joint Ventures and Associates (continued)

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

	2018	2017
Current assets	197,762,563.00	224,472,656.16
Including: Cash and cash equivalents	197,762,563.00	46,631,301.67
Non-current assets	441,770,394.01	484,799,840.74
Total assets	639,532,957.01	709,272,496.90
Current liabilities	4,538,405.83	438,100.77
Non-current liabilities	–	–
Total liabilities	4,538,405.83	438,100.77
Owners' equity	634,994,551.18	708,834,396.13
Share of net assets in proportion to shareholding	317,497,275.59	354,417,198.06
Carrying amount of investment	317,497,275.58	354,417,198.06

	2018	2017
Revenue	–	–
Administrative expenses	13,650,889.10	–
Financial cost – interest income	3,392,101.63	3,808,836.84
Financial cost – interest expense	–	–
Income tax expense	–	–
Net loss	(73,839,844.95)	(69,576,395.99)
Total comprehensive income	(73,839,844.95)	(69,576,395.99)

VII. Interests in Other Entities (continued)

3. Interests in Joint Ventures and Associates (continued)

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

31 December 2018

	Caofeidian Shiye	Finance Company
Current assets	1,402,071,393.08	4,037,341,027.12
Including: Cash and cash equivalents	647,657,224.96	3,100,539,935.74
Non-current assets	5,223,093,949.31	2,107,105,502.70
Total assets	6,625,165,342.39	6,144,446,529.82
Current liabilities	1,868,628,987.23	4,532,286,884.54
Non-current liabilities	1,495,213,839.28	2,945,327.82
Total liabilities	3,363,842,826.51	4,535,232,212.36
Minority interest	38,597,083.16	–
Equity attributable to shareholders of the parent	3,222,725,432.72	1,609,214,317.46
Share of net assets in proportion to shareholding	1,127,953,901.45	643,685,726.98
Carrying amount of investment	1,127,953,901.45	643,656,324.14

2018

	Caofeidian Shiye	Finance Company
Revenue	1,620,196,977.78	120,055,803.81
Administrative expense	130,250,434.70	17,994,128.65
Financial cost- interest income	–	–
Financial cost- interest expense	–	–
Income tax expense	52,496,139.38	14,338,005.88
Net profit	305,441,554.58	44,588,490.85
Including: Net profit attributable to the parent	298,868,174.46	44,588,490.85
Total comprehensive income	305,441,554.58	44,588,490.85
Dividend received	56,000,000.00	–

VII. Interests in Other Entities (continued)

3. Interests in Joint Ventures and Associates (continued)

31 December 2017

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

2017

	Caofeidian Shiye	Finance Company
Revenue	1,698,341,005.84	115,807,800.46
Financial cost- interest income	6,850,130.81	–
Financial cost- interest expense	173,385,549.46	–
Income tax expense	93,683,940.81	11,364,979.48
Net profit	381,940,976.09	34,440,452.85
Including: Net profit attributable to the parent	379,856,503.69	34,440,452.85
Other comprehensive income	–	37,504.51
Total comprehensive income	381,940,976.09	34,477,957.36
Dividend received	84,000,000.00	–

VII. Interests in Other Entities (continued)

3. Interests in Joint Ventures and Associates (continued)

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

	2018	2017
Joint ventures		
Total carrying amount of investment	**48,982,030.36**	54,246,590.22
Total amount of the following items calculated in the Group's equity proportion		
Net loss	**(7,064,559.86)**	(7,307,453.92)
Total comprehensive income	**(7,064,559.86)**	(7,307,453.92)
Associates		
Total carrying amount of investment	**577,201,845.71**	565,611,005.83
Total amount of the following items calculated		
Net profit/(loss)	**132,939.88**	(3,379,679.96)
Total comprehensive income	**132,939.88**	(3,379,679.96)

VIII. Risks Related to Financial Instruments

1. Financial Instruments by Category

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

2018

Financial assets

	At amortized cost	Financial assets at fair value through other comprehensive income		Total
		Requirements of standards	Designed	
Cash and bank balances	2,607,071,907.64	–	–	2,607,071,907.64
Bills receivable and accounts receivable	220,143,567.04	–	–	220,143,567.04
Other receivables	30,259,192.87	–	–	30,259,192.87
Other investments in equity instruments	–	–	730,638,543.63	730,638,543.63
	2,857,474,667.55	–	730,638,543.63	3,588,113,211.18

VIII. Risks Related to Financial Instruments (continued)

1. Financial Instruments by Category (continued)

2018 (continued)

Financial liabilities

	Financial liabilities carried at amortized cost
Short-term borrowings	890,000,000.00
Bills payable and accounts payable	162,505,803.68
Other payables	1,328,005,013.85
Non-current liabilities due within one year	403,724,000.00
Long-term payables	238,800,000.00
Long-term borrowings	6,138,966,492.98
	9,162,001,310.51

2017

Financial assets

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

VIII. Risks Related to Financial Instruments (continued)

1. Financial Instruments by Category (continued)

2017 (continued)

Financial liabilities

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

2. Transfer of Financial Assets

Continuing involvement in transferred financial assets derecognized generally

As at 31 December 2018, the Group has endorsed bank acceptance notes with a carrying amount of RMB14,790,193.25 (31 December 2017: RMB14,067,335.00) to suppliers to settle the amounts payable. As at 31 December 2018, for notes due within 1 to 6 months, if acceptance banks dishonored the notes, endorsees shall have the right to turn to the Group for recourse ("Continuing Involvement") according to the Law of Bill. The Group considered that the acceptance banks of these notes were four major state-owned banks in the PRC or other joint-stock banks, and the potential risk of being subject to recourse due to the banks' inability to pay was low. Therefore, the Group has derecognized carrying amounts of the notes and the related accounts payable that have been settled. The maximum loss and the undiscounted cash flow of Continuing Involvement and repurchase equal to the carrying amounts of the notes. The Group considers that the fair value of Continuing Involvement is insignificant.

In 2018 and 2017, the Group did not recognize any profit or loss at the date of transfer. The Group had no current or accumulated income or expense related to Continuing Involvement of financial assets which had been derecognized. The endorsement happens evenly throughout the year.

VIII. Risks Related to Financial Instruments (continued)

3. Risks Arising from Financial Instruments

The Group has exposure to the following main risks from its use of financial instruments during the ordinary course of business: credit risk, liquidity risk and market risk (including currency risk and interest rate risk). Financial instruments of the Group mainly include cash and bank balances, equity investment, borrowing, bills receivable and accounts receivable, bills payables and accounts payables, etc.. The risks arising from such financial instruments and risk management policies adopted by the Group to minimize such risks are summarized below.

The board of directors is responsible for planning and establishing the Group's risk management framework, developing the Group's risk management policies and related guidelines and overseeing the implementation of risk management measures. The Group has developed risk management policies to identify and analyse the risks faced by the Group. These risk management policies define specific risks which cover many aspects such as market risk, credit risk and liquidity risk management. The Group evaluates the market environment and changes in the Group's operations to determine whether to update the risk management policies and systems on a regular basis. The various functional departments of the Group are responsible for implementing the requirements of the board of directors in respect of the comprehensive risk management work. The audit committee discusses and evaluates the Group's risk management controls and procedures on a regular basis, and submits the audit results to the board of directors of the Group.

Credit risk

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

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

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

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customers. At 31 December 2018, there is a concentration of specific credit risk within the Group as 29% and 65% (31 December 2017: 28% and 77%) of the Group's accounts receivables were due from largest and five largest customers. The Group did not hold any collateral or other credit enhancements over the balances of accounts receivables.

VIII. Risks Related to Financial Instruments (continued)

3. Risks Arising from Financial Instruments (continued)

Credit risk (continued)

2018

Criteria for judging significant increases in credit risk

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

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

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

Definition of credit-impaired financial asset

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

- Significant financial difficulty of the issuer or debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;

VIII. Risks Related to Financial Instruments (continued)

3. Risks Arising from Financial Instruments (continued)

Credit risk (continued)

2018 (continued)

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

Parameters of ECL measurement

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

The relevant definitions are set out below:

- PD refers to the possibility that the debtor will not be able to fulfill its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the historical mobility rate model of accounts receivables, taking into account the forward looking information to reflect the debtor's PD under the current macroeconomic environment;

- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies. The LGD is the percentage of loss of risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime;

- EAD is the amount that the Company should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

Forward-looking information

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

As at 31 December 2017, the Group made provisions for the expected credit loss rate for bad debt of receivables based on the future 12 months or entire remaining lifetime credit loss. Please refer to Note V. 2 Bills receivables and accounts receivables (entire remaining lifetime) and Note V.3 Other receivables (future 12 months).

As at 31 December 2018, there was no amount neither past due nor impaired, or past due but not impaired of the Group's receivables.

VIII. Risks Related to Financial Instruments (continued)

3. Risks Arising from Financial Instruments (continued)

Liquidity risk

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

The Group's objective is to maintain a balance between continuity and flexibility of funding through the use of various funding means, such as bank borrowings and finance lease. As at 31 December 2018, 17% (31 December 2017: 20%) of the Group's interest-bearing liabilities are due within one year.

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

2018

	On demand	Within 1 year	1 to 5 years	Over 5 years	Total
Short-term borrowings	–	909,580,687.50	–	–	909,580,687.50
Bills payable and accounts payable	–	162,505,803.68	–	–	162,505,803.68
Other payables	34,510,975.27	1,293,494,038.58	–	–	1,328,005,013.85
Non-current liabilities due within one year	–	417,643,330.89	–	–	417,643,330.89
Long-term borrowings	–	281,275,180.35	3,569,137,438.77	3,816,185,181.98	7,666,597,801.10
Long-term payables	–	–	204,800,000.00	34,000,000.00	238,800,000.00
	34,510,975.27	3,064,499,041.00	3,773,937,438.77	3,850,185,181.98	10,723,132,637.02

2017

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

VIII. Risks Related to Financial Instruments (continued)

3. Risks Arising from Financial Instruments (continued)

Market risk

Interest rate risk

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

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

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

2018

	Increase/ (decrease) in basis points	**Increase/ (decrease) in net profit or loss**	**Increase/ (decrease) in other comprehensive income, net of tax**	**Total increase/ (decrease) in shareholder's equity**
RMB	**50**	**(26,599,839.35)**	**–**	**(26,599,839.35)**
RMB	**(50)**	**26,599,839.35**	**–**	**26,599,839.35**

2017

	Increase/ (decrease) in basis points	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other comprehensive income, net of tax	Total increase/ (decrease) in shareholder's equity
RMB	50	(29,715,054.35)	–	(29,715,054.35)
RMB	(50)	29,715,054.35	–	29,715,054.35

VIII. Risks Related to Financial Instruments (continued)

3. Risks Arising from Financial Instruments (continued)

Market risk (continued)

Exchange rate risk

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

2018

	Increase/ (decrease) in exchange rates	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other comprehensive income, net of tax	Total increase/ (decrease) in shareholder's equity
If the RMB strengthens against the HK$	**1%**	**(817,621.05)**	**(62,326.31)**	**(879,947.36)**
If the RMB strengthens against the US$	**1%**	**(270,026.29)**	**–**	**(270,026.29)**
If the RMB weakens against the HK$	**(1%)**	**817,621.05**	**62,326.31**	**879,947.36**
If the RMB weakens against the US$	**(1%)**	**270,026.29**	**–**	**270,026.29**

2017

	Increase/ (decrease) in exchange rates	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other comprehensive income, net of tax	Total increase/ (decrease) in shareholder's equity
If the RMB strengthens against the HK$	1%	(1,091,626.72)	(59,458.38)	(1,151,085.10)
If the RMB strengthens against the US$	1%	(253,607.97)	–	(253,607.97)
If the RMB weakens against the HK$	(1%)	1,091,626.72	59,458.38	1,151,085.10
If the RMB weakens against the US$	(1%)	253,607.97	–	253,607.97

VIII. Risks Related to Financial Instruments (continued)

4. Capital Management

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

The Group makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the distribution of profits to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. During 2018 and 2017, there was no change in the Group's capital management objectives, policies or processes.

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

	2018	2017
Bills payable and accounts payable	**162,505,803.68**	218,205,613.84
Other payables	**1,346,007,940.53**	1,261,299,757.25
Short-term borrowings	**890,000,000.00**	1,300,000,000.00
Non-current liabilities due within one year	**403,724,000.00**	333,924,000.00
Long-term borrowings	**6,138,966,492.98**	6,490,490,492.98
Long-term payables	**238,800,000.00**	239,200,000.00
Less: Cash and bank balances	**2,607,071,907.64**	1,983,285,014.18
Net debt	**6,572,932,329.55**	7,859,834,849.89
Equity attributable to shareholders of the parent company	**13,894,972,220.29**	13,405,330,048.63
Capital and net debt	**20,467,904,549.84**	21,265,164,898.52
Net debt to equity ratio	**32%**	37%

IX. Disclosure of Fair Value

1. Assets and Liabilities Measured at Fair Value

2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Continuous measurement of fair value				
Other investments in equity instruments	–	–	730,638,543.63	730,638,543.63

2017

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

IX. Disclosure of Fair Value (continued)

2. Financial Liabilities Disclosed at Fair Value

2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Long-term borrowings	–	–	6,138,966,492.98	6,138,966,492.98
Long-term payable	–	–	238,800,000.00	238,800,000.00
	–	–	6,377,766,492.98	6,377,766,492.98

2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Long-term borrowings	–	–	6,490,490,492.98	6,490,490,492.98
Long-term payable	–	–	239,200,000.00	239,200,000.00
	–	–	6,729,690,492.98	6,729,690,492.98

IX. Disclosure of Fair Value (continued)

3. Fair Value Estimation

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

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

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

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

For the fair value of investment in unlisted equity instrument, the Group estimated and quantified the potential impact of using other reasonable and probable assumptions as inputs to the valuation model: with the use of less favorable assumptions, the fair value is reduced by approximately RMB71,006,036.96; with the use of more favorable assumption, the fair value increased by approximately RMB71,006,036.96.

IX. Disclosure of Fair Value (continued)

4. Unobservable inputs

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

		Fair value at the end of year	Valuation techniques	Unobservable inputs (weighted average)	Range
Debt instrument investments	31 December 2018:	–	Discounted cash flow method	Prepayment rate	2018: 0%
	31 December 2017:	100,000,000.00			2017: 0%
				Probability of default	2018: 0%
					2017: 0%
				Default loss rate	2018: 0%
					2017: 0%
Equity instruments investments	31 December 2018:	730,638,543.63	listed company comparison method	Liquidity discount	2018: 30%

X. Relationships and Transactions

1. Parent Company

	Place of Registration	Nature of business	Registered capital RMB	Proportion of shareholding (%)	Proportion of votes (%)
HPG	Tangshan city	Integrated port service	8 billion	54.27	54.27

HPG is the ultimate holding company of the Company.

2. Subsidiaries

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

3. Joint Ventures and Associates

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

X. Relationships and Transactions (continued)

4. Other Related Parties

Company name	Relationship with related parties
Hebei Port Group Port Engineering Limited (河北港口集團港口工程有限公司)	A subsidiary of the controlling shareholder
Hebei Port Group Port Machinery Limited (河北港口集團港口機械有限公司)	A subsidiary of the controlling shareholder
Cangzhou Bohai New Area Port Real Estate Development Co., Ltd. (滄州渤海新區港口房地產開發有限公司)	A subsidiary of the controlling shareholder
Qinhuangdao Fangyuan Port Project Supervision Co., Ltd. (秦皇島方圓港灣工程監理有限公司)	A subsidiary of the controlling shareholder
Qinhuangdao Fangyu Property Services Management Co., Ltd. (秦皇島方宇物業服務有限公司)	A subsidiary of the controlling shareholder
Hebei Port Group Restaurant Management Co., Ltd. (河北港口集團餐飲管理有限公司)	A subsidiary of the controlling shareholder
Qinhuangdao Zhihai Shipping Agency Co., Ltd. (秦皇島之海船務代理有限公司)	A subsidiary of the controlling shareholder
Qinhuangdao Seaview Hotel Co., Ltd. (秦皇島海景酒店有限公司)	A subsidiary of the controlling shareholder
Qinhuangdao Gangli Elevator Co., Ltd. (秦皇島港立電梯有限責任公司)	A subsidiary of the controlling shareholder
China Ocean Shipping Agency Qinhuangdao Co., Ltd. (中國秦皇島外輪代理有限公司)	A subsidiary of the controlling shareholder
Penavico QHD Logistics Co., Ltd. (秦皇島外代物流有限公司)	A subsidiary of the controlling shareholder
Cangzhou Bohai New Zone Far Trans Shipping Agency Company Co., Ltd. (滄州渤海新區泛航船務代理有限公司)	A subsidiary of the controlling shareholder
Qinhuangdao Ruigang Coal Logistics Co., Ltd. (秦皇島睿港煤炭物流有限公司)	A subsidiary of the controlling shareholder
Qinhuangdao Ocean Shipping Coal Trading Market Co., Ltd. (秦皇島海運煤炭交易市場有限公司)	A subsidiary of the controlling shareholder
Qinhuangdao Kezheng Engineering Testing Co., Ltd. (秦皇島科正工程檢測有限公司)	A subsidiary of the controlling shareholder
Qinhuangdao Yida Geotechnical Engineering Co., Ltd. (秦皇島易達岩土工程有限公司)	A subsidiary of the controlling shareholder
Tangshan Caofeidian Industrial Zone Sea Shipping Agency Co., Ltd. (唐山曹妃甸工業區之海船務代理有限公司)	A subsidiary of the controlling shareholder
Hebei Junyue Security Evaluation Consulting Co., Ltd. (河北君越安全評價諮詢有限公司) (Note 1)	A subsidiary of the controlling shareholder

X. Relationships and Transactions (continued)

4. Other Related Parties (continued)

Company name	Relationship with related parties
Hebei Port Group International Logistics Co., Ltd. (河北港口集團國際物流有限公司)	A subsidiary of the controlling shareholder
Hebei Bohai-rim Coal Trading Center Co., Ltd. (河北環渤海煤炭交易中心有限公司)	A subsidiary of the controlling shareholder
Hebei Port Group Testing Technology Co., Ltd. (河北港口集團檢測技術有限公司)	A subsidiary of the controlling shareholder
Hebei Port Group City Construction and Development Co., Ltd.(河北港口集團城市建設發展有限公司)	A subsidiary of the controlling shareholder
Qinhuangdao Blue Harbour International Travel Service Co., Ltd. (秦皇島市藍港國際旅行社有限公司)	A subsidiary of the controlling shareholder
Huanghua Foreign Ships Agency International Freight Forwarding Co., Ltd. (黃驊港外代國際貨運代理有限公司)	Other enterprises affected by the controlling shareholder
Qinhuangdao Qinren Shipping Co., Ltd. (秦皇島秦仁海運有限公司)	Other enterprises affected by the controlling shareholder
Qinhuangdao Huibo Petroleum Co., Ltd. (秦皇島匯博石油有限公司)	Other enterprises affected by the controlling shareholder
Qinhuangdao Oriental Petroleum Co., Ltd. (秦皇島東方石油有限公司)	Other enterprises affected by the controlling shareholder
Qinhuangdao Jinyuan Shipping Agency Co., Ltd. (秦皇島晉遠船務代理有限公司)	Other enterprises affected by the controlling shareholder
Huanghua Foreign Ships Agency Co., Ltd. (黃驊港外輪代理有限公司)	Other enterprises affected by the controlling shareholder
Qinhuangdao Hegang Co., Ltd. (秦皇島禾港有限責任公司)	Other enterprises affected by the controlling shareholder
SDIC Caofeidian Port Co., Ltd. (國投曹妃甸港口有限公司)	Other related party *
Shenhua Huanghua Harbor Administration Corp. Ltd. (神華黃驊港務有限責任公司)	Other related party *
Han Huang Railway Co., Ltd. (邯黃鐵路有限責任公司)	Other related party *
Daqin Railway Co., Ltd. (大秦鐵路股份有限公司)	Other related party **

Note1： Hebei Junyue Security Evaluation Consulting Co., Ltd. (河北君越安全評價諮詢有限公司) no longer constitutes a related party of the Group since 19 December 2018.

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

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

X. Relationships and Transactions (continued)

5. Major Transactions between the Group and Related Parties

(1) Transactions concerning goods and services with related parties

Purchase of goods and receipt of services from related parties

	Type of goods or services (Note 1)	2018	2017
Transactions with the parent company			
HPG	Integrated service (Note 2)	**69,116,587.42**	69,181,025.79
Transactions with joint ventures and associates			
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	Examination and test services	**343,396.22**	–
Transactions with other related parties			
Hebei Port Group Port Machinery Limited (河北港口集團港口機械有限公司)	Repair and maintenance service	**185,730,811.23**	187,727,992.48
Hebei Port Group Port Engineering Limited (河北港口集團港口工程有限公司)	Construction service	**162,266,456.93**	238,891,958.77
Qinhuangdao Fangyu Property Services Management Co., Ltd. (秦皇島方宇物業服務有限公司)	Logistics service	**21,913,707.05**	15,554,636.64
Hebei Port Group Testing Technology Co., Ltd. (河北港口集團檢測技術有限公司)	Examination and test services	**12,488,916.15**	10,184,692.62
Qinhuangdao Fangyuan Port Project Supervision Co., Ltd. (秦皇島方圓港灣工程監理有限公司)	Supervisory service	**10,111,467.39**	11,967,755.36
Qinhuangdao Gangli Elevator Co., Ltd. (秦皇島港立電梯有限責任公司)	Repair and maintenance service	**5,474,148.91**	2,235,419.07
Qinhuangdao Oriental Petroleum Co., Ltd. (秦皇島東方石油有限公司)	Logistics service	**4,738,282.88**	–
Daqin Railway Co., Ltd. (大秦鐵路股份有限公司)	Logistics service	**924,444.45**	594,156.38
Qinhuangdao Seaview Hotel Co., Ltd. (秦皇島海景酒店有限公司)	Logistics service	**553,605.52**	579,611.33
Hebei Junyue Security Evaluation Consulting Co., Ltd. (河北君越安全評價諮詢有限公司)	Consultation service	**245,660.38**	249,056.61
Qinhuangdao Blue Harbour International Travel Service Co., Ltd. (秦皇島市藍港國際旅行社有限公司)	Logistics service	**52,904.80**	4,385.00
Qinhuangdao Kezheng Engineering Testing Co., Ltd. (秦皇島科正工程檢測有限公司)	Examination and test services	**11,566.04**	1,033.02
Hebei Port Group Restaurant Management Co., Ltd. (河北港口集團餐飲管理有限公司)	Logistics service	**–**	5,313,299.29
Cangzhou Bohai New Area Port Real Estate Development Co., Ltd. (滄州渤海新區港口房地產開發有限公司)	Construction service	**–**	1,904,761.82
Qinhuangdao Yida Geotechnical Engineering Co., Ltd. (秦皇島易達岩土工程有限公司)	Construction service and labor services	**–**	244,472.00
Penavico QHD Logistics Co., Ltd. (秦皇島外代物流有限公司)	Labor services	**–**	113,207.54
Qinhuangdao Gangyun Conference Service Co., Ltd. (秦皇島港韻會議服務有限公司)	Logistics service	**–**	18,394.76
		404,511,971.73	475,584,832.69
		473,971,955.37	544,765,858.48

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

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

X. Relationships and Transactions (continued)

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

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

Sales of goods and render of services to related parties

	Type of goods or services (Note)	2018	2017
Transactions with the parent company			
HPG	Electricity supply service etc.	**6,702,902.58**	6,813,196.88
Transactions with joint ventures and associates			
Jinji International Container Terminal Co., Ltd. (津冀國際集裝箱碼頭有限公司)	Electricity supply service	**9,482,372.14**	2,466,633.30
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	Electricity supply, labor services and sampling services	**2,966,516.95**	1,475,651.70
Tangshan Caofeidian Shiye Port Co., Ltd. (唐山曹妃甸實業港務有限公司)	Labor services	**2,689,213.21**	1,810,996.23
Bohai Jin-Ji Port Investment and Development Company Limited (渤海津冀港口投資發展有限公司)	Labor service	**2,393,419.15**	2,533,976.95
Cangzhou Bohai New Zone Gangxing Tugboat Co., Ltd. (滄州渤海新區港興拖輪有限公司)	Labor and electricity supply service	**911,484.44**	793,501.46
Tangshan Jingtang Railway Co., Ltd. (唐山京唐鐵路有限公司)	Labor services	**455,266.79**	738,460.68
Qinhuangdao Xing'ao Qin'gang Energy Storage & Transportation Co., Ltd. (秦皇島興奧秦港能源儲運有限公司)	Electricity supply service	**11,445.77**	86,107.76
Handan International Land Port Co., Ltd. (邯鄲國際陸港有限公司)	Sampling services	**–**	29,126.21
		18,909,718.45	9,934,454.29

X. Relationships and Transactions (continued)

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

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

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

	Type of goods or services (Note)	2018	2017
Transactions with other related parties			
Qinhuangdao Ocean Shipping Coal Trading Market Co., Ltd. (秦皇島海運煤炭交易市場有限公司)	Sales of goods	19,790,188.60	16,735,864.18
Qinhuangdao Qinren Shipping Co., Ltd. (秦皇島秦仁海運有限公司)	Sales of goods and tallying service	14,241,675.84	13,056,826.28
Hebei Port Group International Logistics Co., Ltd. (河北港口集團國際物流有限公司)	Sales of goods	12,990,329.97	16,093,910.37
SDIC Caofeidian Port Co., Ltd. (國投曹妃甸港口有限公司)	Equipment sales and draft survey service	5,335,326.03	2,572,513.45
Qinhuangdao Seaview Hotel Co., Ltd. (秦皇島海景酒店有限公司)	Electricity supply service	2,144,371.36	2,249,049.42
Hebei Port Group Port Machinery Limited (河北港口集團港口機械有限公司)	Labor services and electricity supply service	1,054,582.29	546,142.19
Qinhuangdao Oriental Petroleum Co., Ltd. (秦皇島東方石油有限公司)	Electricity supply service and loading and unloading service	861,633.61	1,827,070.40
Hebei Port Group Port Engineering Limited (河北港口集團港口工程有限公司)	Electricity supply service etc	771,644.88	937,955.34
Qinhuangdao Huibo Petroleum Co., Ltd. (秦皇島匯博石油有限公司)	Electricity supply service	598,330.28	401,529.94
Han Huang Railway Co., Ltd. (邯黃鐵路有限責任公司)	Electricity supply service	524,067.42	411,412.40
Hebei Port Group City Construction and Development Co., Ltd.(河北港口集團城市建設發展有限公司)	Sales of goods	203,138.78	–
Qinhuangdao Hegang Co., Ltd. (秦皇島禾港有限責任公司)	Loading and unloading service	79,160.38	–
Qinhuangdao Fangyuan Port Project Supervision Co., Ltd. (秦皇島方圓港灣工程監理有限公司)	Electricity supply service	69,646.00	63,687.41
Qinhuangdao Fangyu Property Services Management Co., Ltd. (秦皇島方宇物業服務有限公司)	Electricity supply service	57,998.13	13,896.81
Hebei Port Group Testing Technology Co., Ltd. (河北港口集團檢測技術有限公司)	Sales of goods	24,852.41	–
Qinhuangdao Ruigang Coal Logistics Co., Ltd. (秦皇島睿港煤炭物流有限公司)	Sales of goods	–	2,767,871.69
Hebei Bohai-rim Coal Trading Center Co., Ltd. (河北環渤海煤炭交易中心有限公司)	Sales of goods	–	1,833,554.73
Shenhua Huanghua Harbor Administration Corp. Ltd. (神華黃驊港務有限責任公司)	Equipment sales	–	653,200.00
China Ocean Shipping Agency Qinhuangdao Co., Ltd. (中國秦皇島外輪代理有限公司)	Electricity supply service	–	224,388.99
Hebei Port Group Restaurant Management Co., Ltd. (河北港口集團餐飲管理有限公司)	Electricity supply service	–	87,765.11
		58,746,945.98	60,476,638.71
		84,359,567.01	77,224,289.88

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

X. Relationships and Transactions (continued)

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

(2) Leases with related parties

As lessor

	Category of Leased assets	Rental income in 2018	Rental income in 2017
Jinji International Container Terminal Co., Ltd. (津冀國際集裝箱碼頭有限公司)	Storage facilities	1,950,628.57	–
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	Machinery and Equipment	468,650.24	759,877.06
Qinhuangdao Oriental Petroleum Co., Ltd. (秦皇島東方石油有限公司)	Land use right	183,207.27	181,556.76
Qinhuangdao Huibo Petroleum Co., Ltd. (秦皇島匯博石油有限公司)	Land use right	101,684.07	78,137.84
Qinhuangdao Fangyuan Port Project Supervision Co., Ltd. (秦皇島方圓港灣工程監理有限公司)	Building	49,523.81	49,523.81
Hebei Port Group International Logistics Co., Ltd. (河北港口集團國際物流有限公司)	Building	37,272.73	–
HPG (河北港口集團)	Machinery and Equipment and building	18,392.38	18,392.38
HPG Port Engineering Co., Ltd. (河北港口集團港口工程有限公司)	Land use right	16,380.95	968,641.44
Cangzhou Bohai New Zone Gangxing Tugboat Co., Ltd. (滄州渤海新區港興拖輪有限公司)	Machinery and Equipment	9,853.85	19,707.70
Hebei Port Group Port Machinery Limited (河北港口集團港口機械有限公司)	Machinery and Equipment	2,571.43	10,476.19
Total		2,838,165.30	2,086,313.18

As lessee

	Category of Leased assets	Rental expense in 2018	Rental expense in 2017
HPG	Buildings and harbor facilities	81,423,116.21	80,904,568.45
HPG	Office buildings	16,128,552.22	17,325,657.86
HPG	Machinery and equipment	6,397,190.74	6,626,772.40
HPG	Vehicle	2,035,608.65	1,982,179.81
Hebei Port Group Testing Technology Co., Ltd. (河北港口集團檢測技術有限公司)	Building	92,803.63	–
Qinhuangdao Fangyu Property Services Management Co., Ltd. (秦皇島方宇物業服務有限公司)	Office buildings	22,856.60	–
SDIC Caofeidian Port Co., Ltd. (國投曹妃甸港口有限公司)	Building	–	12,568.40
Total		106,100,128.05	106,851,746.92

The Group and HPG entered into the lease contracts in 2018, respectively, pursuant to which the Group leased the land, buildings and port facilities from HPG for production and operation.

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

X. Relationships and Transactions (continued)

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

(3) Borrowings from related parties

2018

	Borrowing amount	Interest rate per annum	Commencement date	Maturity date
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	140,000,000.00	4.5675%	27 June 2018	26 July 2019
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	60,000,000.00	Benchmark interest rate 5% higher	28 September 2018	27 September 2021
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	35,000,000.00	Benchmark interest rate 10% lower	18 April 2016	17 April 2021

2017

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

Interest expenses paid

	2018	2017
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	5,868,175.69	2,790,604.79

(4) Key management personnel

	2018	2017
Remuneration for key management personnel	6,835,117.01	4,583,190.33

X. Relationships and Transactions (continued)

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

(5) Transactions with other related parties

Trademark use right

In December 2008, the Company entered into an agreement with HPG, pursuant to which, the Company had the exclusive right to use HPG's trademark for free with a term of ten years commencing on 31 March 2008. Upon expiry, it will unconditional automatically renew for ten years until maturity at 31 March 2028.

Deposits in related parties

As at 31 December 2018, the balance of the Group's deposits in Finance Company amounted to RMB1,787,142,114.02 (31 December 2017: RMB1,340,881,281.98). The interest income received from the Finance Company amounted to RMB24,261,910.02 in 2018 (2017: RMB27,920,198.92).

Agency business

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

	2018	2017
Huanghua Foreign Ships Agency International Freight Forwarding Co., Ltd. (黃驊港外代國際貨運代理有限公司)	120,979,937.34	214,060,080.53
Qinhuangdao Zhihai Shipping Agency Co., Ltd. (秦皇島之海船務代理有限公司)	112,974,232.32	133,895,400.32
China Ocean Shipping Agency Qinhuangdao Co., Ltd. (中國秦皇島外輪代理有限公司)	44,897,257.59	24,821,801.47
Penavico QHD Logistics Co., Ltd. (秦皇島外代物流有限公司)	17,179,902.80	19,369,513.23
Huanghua Foreign Ships Agency Co., Ltd.(黃驊港外輪代理有限公司)	3,846,273.61	3,306,738.09
Qinhuangdao Jinyuan Shipping Agency Co., Ltd. (秦皇島晉遠船務代理有限公司)	492,179.89	229,689.88
Cangzhou Bohai New Zone Far Trans Shipping Agency Company (滄州渤海新區泛航船務代理有限公司)	76,508.46	914,943.25
Caofeidian Industrial Zone Sea Shipping Agency Co., Ltd. (曹妃甸工業區之海船務代理有限公司)	4,671.69	1,501.88
	300,450,963.70	396,599,668.65

X. Relationships and Transactions (continued)

6. Commitments Made between the Group and Related Parties

Capital commitments

	2018	2017
Contracted, but not provided for		
Hebei Port Group Port Engineering Limited (河北港口集團港口工程有限公司)	898,862.00	4,507,135.12
Qinhuangdao Fangyuan Port Project Supervision Co., Ltd. (秦皇島方圓港灣工程監理有限公司)	259,002.00	8,037,217.00
HPG	–	474,000.00
	1,157,864.00	13,018,352.12

Investment commitments

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

Lease commitments

	2018	2017
Within 1 year (including 1 year)	104,136,575.00	93,445,759.00

Pursuant to the relevant lease contracts, the aforementioned minimum lease payments under non-cancellable leases on 31 December 2018 mainly include rentals payable by the Company to HPG in respect of the lease of lands, buildings, facilities and equipment etc., with an annual rental of RMB104,136,575.00. The rental payable by the Group to the related parties for the lease assets is based on the terms of the agreement entered between the Group and related parties.

X. Relationships and Transactions (continued)

7. The Parent Company and Subsidiaries

	2018	2017
Investment in subsidiaries Unlisted investments, at cost	6,651,559,306.66	5,787,247,006.66

The amounts due from and to subsidiaries of RMB8,260,800.81 (2017: RMB8,275,104.20) and RMB484,539.31 (2017: RMB1,126,620.82) under the items of current assets and current liabilities, respectively, were unsecured, non-interest bearing and repayable on demand.

8. Balances of Accounts Due from Related Parties

	2018		2017	
	Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
Bills receivable and accounts receivable				
Due from the parent company				
HPG	843,452.33	43,060.88	241,747.00	12,087.35
Due from joint ventures and associates				
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	6,487,445.39	6,036,433.39	6,036,533.39	6,036,533.39
Jinji International Container Terminal Co., Ltd. (津冀國際集裝箱碼頭有限公司)	48,160.00	2,408.00	–	–
Qinhuangdao Xing'ao Qin'gang Energy Storage & Transportation Co., Ltd. (秦皇島興奧秦港能源儲運有限公司)	–	–	68,136.70	3,406.84
	6,535,605.39	6,038,841.39	6,104,670.09	6,039,940.23
Due from other related parties				
China Ocean Shipping Agency Qinhuangdao Co., Ltd. (中國秦皇島外輪代理有限公司)	23,930,513.00	1,196,525.65	16,276,742.00	813,837.10
Qinhuangdao Zhihai Shipping Agency Co., Ltd. (秦皇島之海船務代理有限公司)	6,938,877.00	346,943.85	23,433,014.00	1,171,650.70
Penavico QHD Logistics Co., Ltd. (秦皇島外代物流有限公司)	5,999,366.00	299,968.30	1,381,087.00	69,054.35
Qinhuangdao Qinren Shipping Co., Ltd. (秦皇島秦仁海運有限公司)	1,337,856.00	66,892.80	1,309,320.40	65,466.02
SDIC Caofeidian Port Co., Ltd. (國投曹妃甸港口有限公司)	504,041.65	25,202.08	405,032.28	25,683.64
Hebei Port Group Port Machinery Limited (河北港口集團港口機械有限公司)	383,850.00	19,192.50	–	–
Huanghua Foreign Ships Agency Co., Ltd. (黃驊港外輪代理有限公司)	65,830.00	3,291.50	55,640.00	2,782.00
Qinhuangdao Oriental Petroleum Co., Ltd. (秦皇島東方石油有限公司)	–	–	133,556.00	6,677.80
Qinhuangdao Jinyuan Shipping Agency Co., Ltd. (秦皇島晉遠船務代理有限公司)	–	–	32,733.00	1,636.65
Qinhuangdao Huibo Petroleum Co., Ltd. (秦皇島匯博石油有限公司)	–	–	15,797.00	789.85
	39,160,333.65	1,958,016.68	43,042,921.68	2,157,578.11
	46,539,391.37	8,039,918.96	49,389,338.77	8,209,605.69

X. Relationships and Transactions (continued)

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

	2018		2017	
	Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
Other receivables				
Due from the parent company				
HPG	100,000.00	5,000.00	1,068,900.00	53,445.00
Due from joint venture and associate				
Jinji International Container Terminal Co., Ltd. (津冀國際集裝箱碼頭有限公司)	6,283,583.00	314,179.15	1,446,543.02	72,327.15
Bohai Jin-Ji Port Investment and Development Co., Ltd. (渤海津冀港口投資發展有限公司)	4,538,405.82	453,840.58	4,538,405.82	226,920.29
	10,821,988.82	768,019.73	5,984,948.84	299,247.44
Due from other related parties				
Hebei Port Group Port Engineering Limited (河北港口集團港口工程有限公司)	29,344.34	1,467.22	403,548.00	20,177.40
	10,951,333.16	774,486.95	7,457,396.84	372,869.84
Prepayments				
Advances to other related parties				
Hebei Port Group Testing Technology Co., Ltd. (河北港口集團檢測技術有限公司)	352,650.91	–	–	–

X. Relationships and Transactions (continued)

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

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

	2018	2017
Bills payable and Accounts payable		
Due to the parent company		
HPG	1,330,006.48	7,186,334.26
Due to other related parties		
Hebei Port Group Port Machinery Limited (河北港口集團港口機械有限公司)	38,658,376.55	26,475,926.58
Hebei Port Group Port Engineering Limited (河北港口集團港口工程有限公司)	19,277,954.93	12,125,552.27
Hebei Port Group Testing Technology Co., Ltd. (河北港口集團檢測技術有限公司)	658,377.09	265,248.00
Qinhuangdao Gangli Elevator Co., Ltd. (秦皇島港立電梯有限責任公司)	548,789.63	24,393.00
Qinhuangdao Fangyuan Port Project Supervision Co., Ltd. (秦皇島方圓港灣工程監理有限公司)	406,368.00	7,712.00
	59,549,866.20	38,898,831.85
	60,879,872.68	46,085,166.11
Other payables		
Due to the parent company		
HPG	26,226,894.60	34,548,084.60
Due to associates		
Tangshan Jingtang Railway Co., Ltd. (唐山京唐鐵路有限公司)	400,000.00	400,000.00
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	302,900.69	58,781.25
	702,900.69	458,781.25
Due to other related parties		
Hebei Port Group Port Engineering Limited (河北港口集團港口工程有限公司)	35,499,507.50	31,866,735.54
Qinhuangdao Fangyuan Port Project Supervision Co., Ltd. (秦皇島方圓港灣工程監理有限公司)	13,996,203.33	8,886,699.08
Qinhuangdao Seaborne Coal Trading Market Co., Ltd. (秦皇島海運煤炭交易市場有限公司)	450,000.00	–
Hebei Junyue Security Evaluation Consulting Co., Ltd. (河北君越安全評價諮詢有限公司)	50,000.00	–
Qinhuangdao Yida Geotechnical Engineering Co., Ltd. (秦皇島易達岩土工程有限公司)	10,500.00	10,500.00
Hebei Port Group Port Machinery Limited (河北港口集團港口機械有限公司)	6,500.00	1,200.10
Qinhuangdao Gangli Elevator Co., Ltd. (秦皇島港立電梯有限責任公司)	–	287,307.00
	50,012,710.83	41,052,441.72
	76,942,506.12	76,059,307.57

X. Relationships and Transactions (continued)

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

	2018	2017
Contract Liabilities		
Advance from other related parties		
Hebei Port Group International Logistics Co., Ltd. (河北港口集團國際物流有限公司)	4,006,878.50	3,509,635.50
Huanghua Foreign Ships Agency International Freight Forwarding Co., Ltd. (黃驊港外代國際貨運代理有限公司)	3,241,595.17	1,766,508.40
Qinhuangdao Seaborne Coal Trading Market Co., Ltd. (秦皇島海運煤炭交易市場有限公司)	2,688,357.90	2,499,731.10
Qinhuangdao Jinyuan Shipping Agency Co., Ltd. (秦皇島晉遠船務代理有限公司)	143,970.00	–
Hebei Bohai-rim Coal Trading Center Co., Ltd. (河北環渤海煤炭交易中心有限公司)	140,432.00	140,432.00
Qinhuangdao Oriental Petroleum Co., Ltd. (秦皇島東方石油有限公司)	34,500.00	–
Qinhuangdao Qinren Shipping Co., Ltd. (秦皇島秦仁海運有限公司)	17,635.00	29,446.00
Tangshan Caofeidian Industrial Zone Sea Shipping Agency Co., Ltd. (唐山曹妃甸工業區之海船務代理有限公司)	10,868.00	15,820.00
HPG Port Engineering Co., Ltd. (河北港口集團港口工程有限公司)	–	3,000.00
	10,284,236.57	6,198,064.60
Short-term borrowings		
Loans to associates		
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	140,000,000.00	–
Long-term borrowings		
Loans to associates		
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	95,000,000.00	45,000,000.00

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

XI. Commitments

	2018	2017
Contracted, but not provided for		
Investment commitments	1,140,000,000.00	1,140,000,000.00
Capital commitments	37,908,215.24	101,463,438.18
	1,177,908,215.24	1,241,463,438.18

XII. Events after the Balance Sheet Date

Provision for Costs on Employees who Leave their Posts and Wait for Retirement

The "Resolution in relation to the Provision for Costs on Employees who Leave their Posts and Wait for Retirement" was considered and approved at the ninth meeting of the fourth session of the Board of the Company convened on 28 February 2019, pursuant to which, the provision for the costs on employees who leave their posts and wait for retirement will be no more than RMB323 million, and it is expected that the net profit for the year 2019 will decrease by no more than RMB323 million.

External Investment

As considered and approved at the ninth meeting of the fourth session of the Board of the Company convened on 28 February 2019, the Company intends to enter into the "Cooperation Agreement on Construction Project of Phases VI and VII of Coal Terminal in Caofeidian Port Zone of Tangshan Port" with Datong Coal Mine Group Company Limited (hereinafter referred to as "Datong Group") and Caofeidian Port Group Co., Ltd. (hereinafter referred to as "Caofeidian Port Group"), pursuant to which, the parties will jointly fund to establish a joint venture, and to build Phases VI and VII project of Caofeidian Coal Terminal. The registered capital of the joint venture is RMB3 billion, the Company will contribute RMB1.77 billion, and the shareholding of the parties in the joint venture will be 59%, 40% and 1% by the Company, Datong Group and Caofeidian Port Group, respectively. The investment does not constitute a material asset reorganization as stipulated in the Administrative Measures for the Material Asset Reorganization of Listed Companies, and is not subject to the approval by the general meeting, but is still subject to the approval by the competent state-owned assets supervision authority.

Assets Held-for-sale

On 18 January 2019, Caofeidian Coal Port, a subsidiary of the Group, entered into an agreement on compensation for acquisition of state-owned land use rights with Caofeidian Land Reserve Center, and Caofeidian Coal Port has received RMB188 million of reserve fund for land use right on 23 January 2019. On 20 March 2019, the Company entered into Equity Restructuring Framework Agreement with the Coal and Transportation Subsidiary of Zhejiang Provincial Energy Group Co., Ltd.

Dividends declared

Pursuant to the Resolution on 2018 Profit Distribution deliberated at the tenth meeting of the fourth session of the Board of the Company held on 27 March 2019, the Company proposed to pay a cash dividend totaling RMB430,230,724.00 to all the Shareholders, which is calculated based on 5,587,412,000 Shares in issue and RMB0.77 per 10 shares (tax inclusive). Such proposal was pending approval at the general meeting of the Company.

XIII. Other Important Items

1. Segment Reporting

Operating segments

The Group is primarily engaged in provision of integrated port services for customers. The Management monitors the operating results of its business units as a whole for the purpose of making decisions on resources allocation and performance assessment.

Other information

Information about products and services

For the revenue classified by category, please refer to 35 of Note V.

Geographical information

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

Information about major customers

In 2018, there were one (2017: two) sales customer which individually contributed over 10% of the Group's total revenue. The revenue from such customer was RMB880,272,543.40 (2017: RMB847,228,364.17 and RMB720,587,238.36, respectively).

2. Leases

As lessee

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

	2018	2017
Within 1 year (including 1 year)	104,306,975.00	93,616,159.00
1 to 2 years (including 2 years)	–	170,400.00
	104,306,975.00	93,786,559.00

As lessor

Fixed assets leased under operating leases are mainly port facilities such as stockpiling and machinery equipment leased out by the Group to third parties under the lease contracts renewed on a yearly basis, please refer to Note V.10.

XIII. Other Important Items (continued)

3. Remunerations of Directors, Supervisors and Senior Management

	2018	2017
Fees	500,000.00	400,000.00
Other emoluments:		
Salaries and allowances	5,509,025.38	3,464,862.77
Pension scheme contributions	826,091.63	718,327.56
	6,335,117.01	4,183,190.33
	6,835,117.01	4,583,190.33

(1) Independent non-executive Directors

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

	2018	2017
HOU Shujun	125,000.00	100,000.00
ZANG Xiuqing	125,000.00	100,000.00
LI Man Choi*	75,000.00	100,000.00
ZHAO Zhen*	75,000.00	100,000.00
CHEN Ruihua*	50,000.00	–
XIAO Zuhe*	50,000.00	–
	500,000.00	400,000.00

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

There were no other remunerations payable to the independent non-executive Directors during the year (2017: nil).

XIII. Other Important Items (continued)

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

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

	2018	2017
Salaries and allowances:		
Executive Directors:		
CAO Ziyu	–	–
TIAN Yunshan*	–	51,316.18
WANG Lubiao	719,333.03	433,179.16
MA Xiping	739,333.03	433,179.16
YANG Wensheng	798,329.85	451,109.23
Non-executive Directors:		
LIU Guanghai(劉廣海)*	–	–
XIAO Xiang*	–	–
LI Jianping	–	–
MI Xianwei*	–	–
Supervisors:		
CAO Dong	549,210.12	622,836.32
BIAN Yingzi(卞英姿)**	–	–
LIU Simang**	–	–
NIE Yuzhong**	–	–
BU Zhouqing	–	–
CHEN Linyan	548,714.16	602,915.55
MENG Bo(孟博)**	–	–
	3,354,920.19	2,594,535.60

XIII. Other Important Items (continued)

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

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

	2018	2017
Pension scheme contributions:		
Executive Directors:		
CAO Ziyu	–	–
TIAN Yunshan*	–	18,446.16
WANG Lubiao	97,423.42	108,208.92
MA Xiping	95,186.62	106,251.84
YANG Wensheng	98,479.58	106,968.36
Non-executive Directors:		
LIU Guanghai(劉廣海)*	–	–
XIAO Xiang*	–	–
LI Jianping	–	–
MI Xianwei*	–	–
Supervisors:		
CAO Dong	132,966.82	81,747.96
BIAN Yingzi(卞英姿)**	–	–
LIU Simang**	–	–
NIE Yuzhong**	–	–
BU Zhouqing	–	–
CHEN Linyan	129,032.78	74,348.04
MENG Bo(孟博)**	–	–
	553,089.22	495,971.28

* TIAN Yunshan and MI Xianwei resigned from the relevant positions in February 2017 and June 2018, respectively. LIU Guanghai(劉廣海) and XIAO Xiang have been serving as non-executive directors of the Company since December 2018 and June 2018, respectively.

** In June 2018, BIAN Yingzi(卞英姿) and MENG Bo(孟博)are supervisor of the Company. LIU Simang and NIE Yuzhong resigned from the relevant positions in June 2018 and February 2018, respectively. In March 2018, NIE Yuzhong has been serving as the senior management of the Company.

XIII. Other Important Items (continued)

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

(3) Senior Management

	2018	2017
Salaries and allowances:		
HE Zhenya	748,937.47	437,136.46
NIE Yuzhong	675,832.24	–
YANG Wensheng	–	–
GUO Xikun	729,335.48	433,190.71
	2,154,105.19	870,327.17
Pension scheme contributions:		
HE Zhenya	97,219.80	115,419.60
NIE Yuzhong	79,950.99	–
YANG Wensheng	–	–
GUO Xikun	95,831.62	106,936.68
	273,002.41	222,356.28

There was no agreement under which a director, supervisor or senior management waived or agreed to waive any remuneration during the year (2017: nil).

4. Five Highest Paid Senior Management

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

	2018	2017
Salaries and allowances	1,478,272.95	437,136.46
Pension scheme contributions	193,051.42	115,419.60
	1,671,324.37	552,556.06

XIII. Other Important Items (continued)

4. Five Highest Paid Senior Management (continued)

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

	Number of employees	
	2018	2017
Nil to RMB1,000,000	**2**	1

XIV. Notes to Key Items of the Company's Financial Statements

1. Bills Receivable and Accounts Receivable

	2018	2017
Bills Receivable	**79,348,287.00**	294,653,342.67
Accounts Receivable	**70,814,576.76**	108,140,876.81
	150,162,863.76	402,794,219.48
Less: Provision for bad debts	**11,074,005.46**	33,293,467.71
	139,088,858.30	369,500,751.77

XIV. Notes to Key Items of the Company's Financial Statements (continued)

1. Bills Receivable and Accounts Receivable (continued)

Bills Receivable

	2018	2017
Commercial acceptance notes	2,848,287.00	7,040,271.00
Bank acceptance notes	76,500,000.00	287,613,071.67
	79,348,287.00	294,653,342.67

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

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

	2018		2017	
	Derecognised	Not derecognised	Derecognised	Not derecognised
Bank acceptance notes	6,500,193.25	–	13,067,335.00	–

Accounts Receivable

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

An ageing analysis of the accounts receivable is as follows:

	2018	2017
Within 1 year	62,284,201.05	66,589,510.48
1 to 2 years	17,764.89	3,723,170.59
2 to 3 years	3,723,170.59	17,001,849.80
Over 3 years	4,789,440.23	20,826,345.94
	70,814,576.76	108,140,876.81
Less: Provision for bad debts of accounts receivable	11,074,005.46	33,293,467.71
	59,740,571.30	74,847,409.10

XIV. Notes to Key Items of the Company's Financial Statements (continued)

1. Bills Receivable and Accounts Receivable (continued)

Accounts Receivable (continued)

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

	Opening balance	Provision for the year	Reversal during the year	Write-off during the year	Closing balance
2018	**33,293,467.71**	**–**	**(22,219,462.25)**	**–**	**11,074,005.46**
2017	23,881,717.89	10,988,626.22	–	(1,576,876.40)	33,293,467.71

	2018			
	Carrying amount		**Provision for bad debts**	
	Amount	**Percentage**	**Amount**	**Percentage of Provision**
		(%)		**(%)**
Provision for bad debts by portfolio of credit risk characteristics	**70,814,576.76**	**100**	**11,074,005.46**	**16**

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

XIV. Notes to Key Items of the Company's Financial Statements (continued)

1. Bills Receivable and Accounts Receivable (continued)

Accounts Receivable (continued)

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

	2018			2017		
	Estimated carrying amount arising from default	**Expected credit loss ratio (%)**	**Lifetime expected credit loss**	Balance	Provided ratio (%)	Provision for bad debts
Within 1 year	**62,284,201.05**	**5**	**3,372,419.81**	66,589,510.48	5	3,329,475.52
1 to 2 years	**17,764.89**	**45**	**8,072.37**	845,826.20	10	84,582.62
2 to 3 years	**3,723,170.59**	**78**	**2,904,073.06**	15,465,900.80	30	4,639,770.24
Over 3 years	**4,789,440.23**	**100**	**4,789,440.22**	19,203,105.94	100	19,203,105.94
	70,814,576.76	**16**	**11,074,005.46**	102,104,343.42	27	27,256,934.32

In 2018, these was no provision for bad debts of the Company (2017: RMB10,988,626.22) and the recovery or reversal of provision for bad debts was RMB22,219,462.25 (2017：Nil).

In 2018, the Company had no accounts receivable actually written off (2017: RMB1,576,876.40).

XIV. Notes to Key Items of the Company's Financial Statements (continued)

1. Bills Receivable and Accounts Receivable (continued)

Accounts Receivable (continued)

As at 31 December 2018, accounts receivables from the five largest customers were as follows:

	Carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Provision ratio (%)
China Ocean Shipping Agency Qinhuangdao Co., Ltd. (中國秦皇島外輪代理有限公司)	**23,871,620.00**	**33.71**	**1,292,544.87**	**5**
Suizhong Tianyu Port Shipping Services Co., Ltd. (綏中天予港口船舶服務有限公司)	**9,453,327.00**	**13.35**	**511,856.73**	**5**
Qinhuangdao Zhihai Shipping Agency Co., Ltd. (秦皇島之海船務代理有限公司)	**6,914,377.00**	**9.76**	**374,383.58**	**5**
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	**6,487,445.39**	**9.16**	**5,427,932.56**	**84**
Penavico QHD Logistics Co., Ltd. (秦皇島外代物流有限公司)	**5,999,366.00**	**8.47**	**324,839.69**	**5**
	52,726,135.39	**74.45**	**7,931,557.43**	

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

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

XIV. Notes to Key Items of the Company's Financial Statements (continued)

2. Available-for-sale Financial Assets (Only applicable in 2017)

	2017		
	Carrying balance	Impairment provision	Carrying amount
Available-for-sale equity instruments	562,752,357.95	–	562,752,357.95

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

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

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

XIV. Notes to Key Items of the Company's Financial Statements (continued)

3. Long-term Equity Investments

2018

	Opening balance	Additional investment	Decrease in investment	Closing balance	distribution of dividends
Subsidiaries					
Qinhuangdao Ocean Shipping Tally Co., Ltd. (秦皇島中理外輪理貨有限責任公司)	12,085,383.72	–	–	12,085,383.72	4,200,000.00
Qinhuangdao Ruigang Technology Import & Export Co., Ltd. (秦皇島瑞港技術進出口有限公司)	10,125,275.79	–	–	10,125,275.79	–
Qinhuangdao Xin'gangwan Container Terminal Co. Ltd (秦皇島港新港灣集裝箱碼頭有限公司)	219,521,347.15	–	–	219,521,347.15	–
Cangzhou Bohai Stevedoring Co., Ltd. (滄州渤海港務有限公司)	2,464,400,000.00	–	–	2,464,400,000.00	–
Tangshan Caofeidian Coal Port Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	918,000,000.00	–	–	918,000,000.00	–
Cangzhou Huanghuagang Mineral Port Co., Ltd. (滄州黃驊港礦石港務有限公司)	1,930,000,000.00	818,812,300.00	–	2,748,812,300.00	49,235,000.00
Cangzhou Huanghuagang Crude Oil Port Co., Ltd. (滄州黃驊港原油港務有限公司)	32,500,000.00	45,500,000.00	–	78,000,000.00	–
Tangshan Caofeidian Jigang Coal Port Co., Ltd. (唐山曹妃甸冀港煤炭港務有限公司)	49,500,000.00	–	–	49,500,000.00	–
Tangshan Port Investment & Development Co., Ltd. (唐山港口投資開發有限公司)	56,000,000.00	–	–	56,000,000.00	–
Qinhuangdao Port GangSheng (Hong Kong) Co., Limited (秦皇島港港盛(香港）有限公司)	40,115,000.00	–	–	40,115,000.00	–
Cangzhou Huanghua Port Bulk Cargo Port Co., Ltd. (滄州黃驊港散貨港務有限公司) (Note)	50,000,000.00	–	–	50,000,000.00	–
Tangshan Caofeidian Jigang General Port Co., Ltd. (唐山曹妃甸冀港通用港務有限公司)	5,000,000.00	–	–	5,000,000.00	–
Total under cost method	5,787,247,006.66	864,312,300.00	–	6,651,559,306.66	53,435,000.00

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

XIV. Notes to Key Items of the Company's Financial Statements (continued)

3. Long-term Equity Investments (continued)

2018 (continued)

		Change within the year							
	Opening balance	Increase in investment	Decrease in investment	Investment gain or loss under the equity method	Other comprehensive income	Other equity movements	Distribution of dividends	Closing carrying amount	Year-end provision for impairment
Joint ventures									
Bohai Jin-Ji Port Investment and Development Company Limited (渤海津冀港口投資發展有限公司)	354,417,198.06	-	-	(36,919,922.48)	-	-	-	317,497,275.58	-
Jinji International Container Terminal Co., Ltd. (津冀國際集裝箱碼頭有限公司)	54,246,590.22	1,800,000.00	-	(7,064,559.86)	-	-	-	48,982,030.36	-
Sub-total of Joint ventures	408,663,788.28	1,800,000.00	-	(43,984,482.34)	-	-	-	366,479,305.94	-
Associates									
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	-	-	-	-	-	-	-	-	-
Hebei Port Group Finance Company Limited(河北港口集團財務有限公司)	631,702,694.96	-	-	11,968,330.60	(14,701.42)	-	-	643,656,324.14	-
Tangshan Caofeidian Shiye Port Co., Ltd (唐山曹妃甸實業港務有限公司)	1,076,320,472.10	-	-	104,603,861.06	-	3,029,568.29	(56,000,000.00)	1,127,953,901.45	-
Qinhuangdao Xing'ao Qin'gang Energy Storage & Transportation Co., Ltd (秦皇島興奧秦港能源儲運有限公司)	-	-	-	-	-	-	-	-	(20,800,000.00)
Tangshan Jingtang Railway Co., Ltd. (唐山京唐鐵路有限公司)	273,528,916.50	-	-	(1,084,284.42)	-	-	-	272,444,632.08	-
Cangzhou Ocean Shipping Tally Co., Ltd (滄州中理外輪理貨有限公司)	3,263,655.53	-	-	(1,577,023.48)	-	-	-	1,686,632.05	-
Zhejiang Yuehua Energy Detection Co., Ltd. (浙江越華能源檢測有限公司)	-	11,457,900.00	-	-	-	-	-	11,457,900.00	-
Sub-total of Associates	1,984,815,739.09	11,457,900.00	-	113,910,883.76	(14,701.42)	3,029,568.29	(56,000,000.00)	2,057,199,389.72	(20,800,000.00)
Total under equity method	2,393,479,527.37	13,257,900.00	-	69,926,401.42	(14,701.42)	3,029,568.29	(56,000,000.00)	2,423,678,695.66	(20,800,000.00)

XIV. Notes to Key Items of the Company's Financial Statements (continued)

3. Long-term Equity Investments (continued)

2017

	Opening balance	Additional investment	Decrease in investment	Closing balance	Distribution of dividends
Subsidiaries					
Qinhuangdao Ocean Shipping Tally Co., Ltd. (秦皇島中理外輪理貨有限責任公司)	12,085,383.72	–	–	12,085,383.72	2,520,000.00
Qinhuangdao Ruigang Technology Import & Export Co., Ltd. (秦皇島瑞港技術進出口有限公司)	10,125,275.79	–	–	10,125,275.79	–
Qinhuangdao Xin'gangwan Container Terminal Co. Ltd (秦皇島港新港灣集裝箱碼頭有限公司)	219,521,347.15	–	–	219,521,347.15	–
Cangzhou Bohai Port Co., Ltd (滄州渤海港務有限公司)	2,464,400,000.00	–	–	2,464,400,000.00	–
Tangshan Caofeidian Coal Port Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	918,000,000.00	–	–	918,000,000.00	–
Cangzhou Huanghuagang Mineral Port Co., Ltd. (滄州黃驊港礦石港務有限公司)	1,930,000,000.00	–	–	1,930,000,000.00	–
Cangzhou Huanghuagang Crude Oil Port Co., Ltd. (滄州黃驊港原油港務有限公司)	32,500,000.00	–	–	32,500,000.00	–
Tangshan Caofeidian Jigang Coal Port Co., Ltd. (唐山曹妃甸冀港煤炭港務有限公司)	49,500,000.00	–	–	49,500,000.00	–
Tangshan Port Investment & Development Co., Ltd. (唐山港口投資開發有限公司)	56,000,000.00	–	–	56,000,000.00	–
Qinhuangdao Port GangSheng (Hong Kong) Co., Ltd. (秦皇島港港盛（香港）有限公司)	40,115,000.00	–	–	40,115,000.00	–
Cangzhou Huanghuagang Coal Oil Port Co., Ltd (滄州黃驊港煤炭港務有限公司)	50,000,000.00	–	–	50,000,000.00	–
Tangshan Caofeidian Jigang General Port Co., Ltd. (唐山曹妃甸冀港通用港務有限公司)	5,000,000.00	–	–	5,000,000.00	–
Total under cost method	5,787,247,006.66	–	–	5,787,247,006.66	2,520,000.00

XIV. Notes to Key Items of the Company's Financial Statements (continued)

3. Long-term Equity Investments (continued)

2017 (continued)

	Opening balance	Changes during the year: Increase in investment	Investment gain or loss under the equity method	Other comprehensive income	Other equity movements	Declaration of cash dividend	Provision for impairment	Closing carrying amount	Year-end provision impairment
Joint ventures									
Bohai Jin-Ji Port Investment and Development Company Limited (渤海津冀港口投資發展有限公司)	89,205,396.06	300,000,000.00	(34,788,198.00)	–	–	–	–	354,417,198.06	–
Jinji International Container Terminal Co., Ltd. (津冀國際集裝箱碼頭有限公司)	–	61,554,044.14	(7,307,453.92)	–	–	–	–	54,246,590.22	–
Sub-total of joint ventures	89,205,396.06	361,554,044.14	(42,095,651.92)	–	–	–	–	408,663,788.28	–
Associates									
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	–	–	–	–	–	–	–	–	–
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	217,911,512.02	400,000,000.00	13,776,181.14	15,001.80	–	–	–	631,702,694.96	–
Tangshan Caofeidian Shiye Port Co., Ltd. (唐山曹妃甸實業港務有限公司)	1,024,530,094.60	–	132,949,776.29	–	2,840,601.21	(84,000,000.00)	–	1,076,320,472.10	–
Qinhuangdao Xing'ao Qin'gang Energy Storage & Transportation Co., Ltd. (秦皇島興奧秦港能源儲運有限公司)	20,000,000.00	800,000.00	–	–	–	–	(20,800,000.00)	–	(20,800,000.00)
Tangshan Jingtang Railway Co., Ltd. (唐山京唐鐵路有限公司)	34,935,192.73	240,000,000.00	(1,406,276.23)	–	–	–	–	273,528,916.50	–
Cangzhou Ocean Shipping Tally Co., Ltd. (滄州中理外輪理貨有限公司)	5,727,141.22	–	17,657.51	–	–	(2,481,143.20)	–	3,263,655.53	–
Sub-total of associates	1,303,103,940.57	640,800,000.00	145,337,338.71	15,001.80	2,840,601.21	(86,481,143.20)	(20,800,000.00)	1,984,815,739.09	(20,800,000.00)
Total under equity method	1,392,309,336.63	1,002,354,044.14	103,241,686.79	15,001.80	2,840,601.21	(86,481,143.20)	(20,800,000.00)	2,393,479,527.37	(20,800,000.00)

XIV. Notes to Key Items of the Company's Financial Statements (continued)

3. Long-term Equity Investments (continued)

Provision for impairment of long-term equity investment:

2018

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

2017

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

4. Other equity instrument investments

2018

				Dividend income in current year	
	Cost	Changes in fair value accumulated in other comprehensive income	Fair value	Equity instruments derecognised in current year	Equity instruments held
SDIC Caofeidian Port Co., Ltd. (國投曹妃甸港口有限公司)	498,000,000.00	(27,814,888.60)	470,185,111.40	–	–
Qinhuangdao Ruigang Coal Logistics Co., Ltd. (秦皇島睿港煤炭物流有限公司)	34,000,000.00	(13,421,826.02)	20,578,173.98	–	–
Cangzhou Huanghuagang Steel Logistics Co., Ltd. (滄州黃驊港鋼鐵物流有限公司)	30,752,357.95	6,322,643.29	37,075,001.24	–	–
Total	562,752,357.95	(34,914,071.33)	527,838,286.62	–	–

XIV. Notes to Key Items of the Company's Financial Statements (continued)

5. Operating Revenue and Cost

	2018	2017
Revenue from the principal operations	5,026,635,942.55	5,307,645,488.22
Cost of the principal operations	2,600,531,539.01	3,254,415,439.04

Operating revenue is as follows:

	2018	2017
Revenue from service in relation to coal and relevant products	4,722,122,689.72	4,897,699,413.84
Revenue from service in relation to metal ore and relevant products	50,622,174.08	118,713,266.08
Revenue from service in relation to general and other cargoes	128,879,781.98	164,174,272.73
Revenue from service in relation to liquefied cargoes	58,101,119.75	66,975,920.37
Revenue from others	66,910,177.02	60,082,615.20
	5,026,635,942.55	5,307,645,488.22

6. Investment Income

	2018	2017
Income from long-term equity investments under cost method	53,435,000.00	2,520,000.00
Income from long-term equity investments under equity method	69,926,401.42	103,241,686.79
	123,361,401.42	105,761,686.79

ADDITIONAL MATERIALS

31 December 2018
RMB

1. Schedule of Extraordinary Profit and Loss

	2018
Gain on disposal of non-current assets	8,927,740.73
Government grants credited to profit or loss for the current period	38,695,191.40
Gain on entrusted investment or asset management	6,464,446.94
Donation expenses	(102,000.00)
Other non-operating income and expenses	7,925,065.22
Sub-total	61,910,444.29
Less: Effect of income tax	15,918,076.73
Less: Effect of non-controlling interests (after tax)	2,835,216.26
Total	43,157,151.30

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

2. Return on Net Assets and Earning per Share

2018

	Return on Net Asset (%)	Earnings Per Share	
		Basic	Diluted
Net profit for the year attributable to ordinary shareholders of the Company	5.90%	0.15	0.15
Net profit attributable to the ordinary shareholders of the Company after deducting non-recurring gains and losses	5.59%	0.14	0.14

2017

	Return on Net Asset (%)	Earnings Per Share	
		Basic	Diluted
Net profit for the year attributable to ordinary shareholders of the Company	7.80%	0.18	0.18
Net profit attributable to the ordinary shareholders of the Company after deducting non-recurring gains and losses	7.56%	0.18	0.18