

An aerial night view of a port terminal with large blue gantry cranes and a ship docked. A white network of lines and nodes is overlaid on the sky. The text '2019 INTERIM REPORT' is positioned in the upper right.

2019

INTERIM REPORT



青島港國際股份有限公司

QINGDAO PORT INTERNATIONAL CO., LTD.*

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

Stock Code: 06198.HK 601298.SH

** For identification purpose only*

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

“Board”	the board of directors of the Company
“CFS”	container freight station, of which, container freight station at loading ports refers to the location designated by carriers for the receiving of cargo to be loaded into containers by the carrier, while container freight station at discharge or destination ports refers to the location designated by carriers for de-vanning of containerized cargo
“Company”	Qingdao Port International Co., Ltd. (青島港國際股份有限公司), a joint stock company established in the PRC with limited liability on 15 November 2013
“Consolidated Group Companies”	companies (including their branches) and their subsidiaries which are consolidated into in the consolidated financial statements of the Company
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Shares”	the ordinary domestic share(s) of the Company with a nominal value of RMB1.00 each in the share capital of the Company
“Global Offering of H Shares”	the offer for subscription of the Company’s H shares in 2014
“Gratuitous Transfer Agreement”	the Gratuitous Transfer Agreement of the Equity Interests in Qingdao Port (Group) Co., Ltd. among Shandong Port Group Co., Ltd., the State-owned Assets Supervision & Administration Commission of Qingdao Municipal Government, and the State-owned Assets Supervision & Administration Commission of Weihai Municipal Government (《山東省港口集團有限公司與青島市人民政府國有資產監督管理委員會及威海市人民政府國有資產監督管理委員會關於青島港(集團)有限公司之股權無償劃轉協議》) dated 22 August 2019
“Group”, “we”, “our” or “us”	the Company and its branches and subsidiaries; when references are made to operational data such as throughput, including joint ventures and associates of the Company
“Haiwan Liquid Chemical”	Qingdao Haiwan Liquid Chemical Port Operation Co., Ltd. (青島海灣液體化工港務有限公司), a joint venture in which the Company holds 50% equity interests, which is mainly engaged in the business of providing liquid bulk handling and ancillary services
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
“New H Shares Placing”	the issue of the 243,000,000 new H shares of the Company by way of placing pursuant to the specific mandate granted by the 2017 first extraordinary general meeting, the 2017 first domestic shareholders’ class meeting and 2017 first H shareholders’ class meeting of the Company held on 10 March 2017
“OBOR”	the Silk Road Economic Belt (絲綢之路經濟帶) and 21st Century Maritime Silk Road (21世紀海上絲綢之路)
“PRC” or “China”	the People’s Republic of China, and for the purpose of this report, excluding Hong Kong, Macau and Taiwan
“Prospectus”	the listing document of the Company in relation to the global offering dated 26 May 2014
“QDOT”	Qingdao Port Dongjiakou Ore Terminal Co., Ltd. (青島港董家口礦石碼頭有限公司), a joint venture in which the Company holds 30% equity interests, which is mainly engaged in the business of providing ore, coal and other cargo handling and ancillary services
“QDP”	Qingdao Port (Group) Co., Ltd. (青島港(集團)有限公司), the controlling shareholder of the Company
“Qingdao Finance”	Qingdao Port Finance Co., Ltd. (青島港財務有限責任公司), a subsidiary jointly established by the Company (holding 70% equity interests) and QDP (holding 30% equity interests), which is mainly engaged in the provision of depository services, credit granting services, financial and financing advisory services, credit assurance services and relevant consulting and agency services; trade receivables collection and payment services; and internal fund transfer and settlement services formulation of proposals for the corresponding settlement and clearing services and other financial services to QDP and its member companies
“Qingdao Port Logistics”	Qingdao Port International Logistics Co., Ltd. (青島港國際物流有限公司), a wholly-owned subsidiary of the Company, which is mainly engaged in the business of logistics value-added services, such as transportation, agency and warehousing services
“Qingdao SASAC”	the State-owned Assets Supervision & Administration Commission of Qingdao Municipal Government (青島市人民政府國有資產監督管理委員會)

“Qingdao Shihua”	Qingdao Shihua Crude Oil Terminal Co., Ltd. (青島實華原油碼頭有限公司), a joint venture in which the Company holds 50% equity interests, which is mainly engaged in the business of providing liquid bulk handling and ancillary services
“Qingwei Container”	Weihai Qingwei Container Terminal Co., Ltd. (威海青威集裝箱碼頭有限公司), a joint venture in which the Company holds 49% equity interests, which is mainly engaged in the business of providing container handling and ancillary services
“QQCT”	Qingdao Qianwan Container Terminal Co., Ltd. (青島前灣集裝箱碼頭有限責任公司), a joint venture in which the Company holds 51% equity interests (it is not consolidated into consolidated financial statements of the Company as the Company does not have control over it), which is mainly engaged in the business of providing container handling and ancillary services
“Shandong Port Group”	Shandong Port Group Co., Ltd. (山東省港口集團有限公司)
“Supervisor(s)”	the supervisor(s) of the Company
“TEU”	an abbreviation of Twenty-Foot Equivalent Unit, an international measuring unit with the standard a container with a length of 20 feet, a width of 8 feet and a height of 8 feet and 6 inches, also known as the international unit of standard container
“West United”	Qingdao Qianwan West Port United Terminal Co., Ltd. (青島前灣西港聯合碼頭有限責任公司), a joint venture in which the Company holds 51% equity interests (it is not consolidated into consolidated financial statements of the Company as the Company does not have control over it), and which is mainly engaged in the business of providing dry bulk cargo and break bulk cargo handling and ancillary services
“New Lease Standards”	the CAS 21 – Lease in the Notice of the Ministry of Finance on Issuing the revised CAS 21 – Lease (Cai Kuai [2018] No. 35) 《關於修訂印發<企業會計準則第21號 – 租賃>的通知》(財會〔2018〕35號) issued by the Ministry of Finance of the PRC on 7 December 2018

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

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

COMPANY PROFILE

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

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

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

CHINESE NAME OF THE COMPANY

青島港國際股份有限公司

ENGLISH NAME OF THE COMPANY

Qingdao Port International Co., Ltd.

LEGAL REPRESENTATIVE

Mr. LI Fengli

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

- (1) Headquarters in the PRC:
No. 12 Jingba Road
Huangdao District, Qingdao
Shandong Province, PRC
- (2) Principal Place of Business in Hong Kong:
31/F, Tower Two, Times Square
1 Matheson Street, Causeway Bay
Hong Kong

DATES OF LISTING

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

PLACES OF LISTING

Main Board of The Stock Exchange of Hong Kong Limited
(H shares)

Main Board of the Shanghai Stock Exchange (A shares)

ABBREVIATED CHINESE STOCK NAME

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

ABBREVIATED ENGLISH STOCK NAME

Qingdao Port (only applied to H shares)

STOCK CODES

06198 (H shares)
601298 (A shares)

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BOARD OF DIRECTORS

(1) Executive Directors

Mr. LI Fengli (*Chairman*)
Mr. ZHANG Jiangnan (*President*)
Ms. JIANG Chunfeng

(2) Non-executive Directors

Mr. JIAO Guangjun (*Vice chairman*)
Mr. ZHANG Wei
Mr. CHU Xiaozhong

(3) Independent Non-executive Directors

Ms. LI Yan
Mr. JIANG Min
Mr. LAI Kwok Ho

CORPORATE INFORMATION

SUPERVISORY COMMITTEE

Mr. ZHANG Qingcai (*Chairman*)
Mr. LI Wucheng
Mr. WANG Yaping
Mr. YANG Qiulin
Mr. LIU Shuiguo
Ms. WANG Xiaoyan

COMPANY SECRETARY

Mr. CHEN Fuxiang

AUTHORISED REPRESENTATIVES

Mr. JIAO Guangjun
Mr. CHEN Fuxiang

SPECIAL COMMITTEES OF BOARD OF DIRECTORS

(1) Strategy and Development Committee

Mr. LI Fengli (*Chairman*)
Mr. JIAO Guangjun
Mr. ZHANG Wei
Mr. ZHANG Jiangnan
Mr. CHU Xiaozhong
Ms. JIANG Chunfeng
Mr. JIANG Min

(2) Audit Committee

Ms. LI Yan (*Chairman*)
Mr. CHU Xiaozhong
Mr. LAI Kwok Ho

(3) Nomination Committee

Mr. JIANG Min (*Chairman*)
Mr. LI Fengli
Mr. LAI Kwok Ho

(4) Remuneration Committee

Mr. LAI Kwok Ho (*Chairman*)
Mr. JIAO Guangjun
Ms. LI Yan

H SHARE REGISTRAR

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

LEGAL ADVISERS

(1) As to Hong Kong law

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

(2) As to PRC law

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

PRINCIPAL BANKERS

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

MANAGEMENT DISCUSSION AND ANALYSIS

I. INTERNATIONAL AND DOMESTIC SITUATION

1. General Situation

In the first half of 2019, the global economic development was clouded over with the uncertainties behind the escalating Sino-US trade conflicts. Likewise, the growth of global trade slowed down. Against this backdrop, China responded proactively to cope with the changes in the external environment and implemented the “6S” Policy (Stable Employment, Stable Finance, Stable Foreign Trade, Stable Foreign Capital, Stable Investment, and Stable Expectation). Benefiting from this, the economic development of China exhibited the momentum of overall stability and steady progress. The gross domestic product (GDP) in the first half of 2019 grew by 6.3% compared to the same period in the prior year, maintaining a level within the reasonable range. The total imports and exports of cargo increased by 3.9%, representing an increase of 0.2 percentage point compared to the first quarter of 2019, and the trade structure continued to be optimized. (Source: National Bureau of Statistics of the PRC)

2. Operation of the Port Industry

In the first half of 2019, the cargo throughput at the coastal ports in China increased by 3.1% compared to the same period in the prior year, among which, the container throughput increased by 4.4% compared to the same period in the prior year, which indicated that the port industry in China continued to maintain a positive development momentum overall. (Source: Ministry of Transport of the PRC)

II. REVIEW OF BUSINESS AND FINANCIAL RESULTS OF THE GROUP

1. Overall Review

The Group aimed at accelerating building itself into a world-class ocean port and proactively coped with the changes in the external environment of macro economy. By seizing the opportunities to promote the replacement of old growth drivers with new ones and accelerate industrial upgrades in Shandong Province and Qingdao City, the Group deepened supply-side structural reform in port services, fully leveraged its advantages in hardware facilities and value-added service resources, followed the development trend of major types of cargo including containers, dry bulk cargo, and liquid bulk cargo, extensively exploited the potential of resources including terminals, stockyards, railways, and pipelines, continuously optimized the function of ports, and promoted the increased volume, improved efficiency of the terminal stevedoring business, continuously enhanced its comprehensive competitive strengths, continuously strengthened its influence within the industry and maintained steady growth of its operational performance.

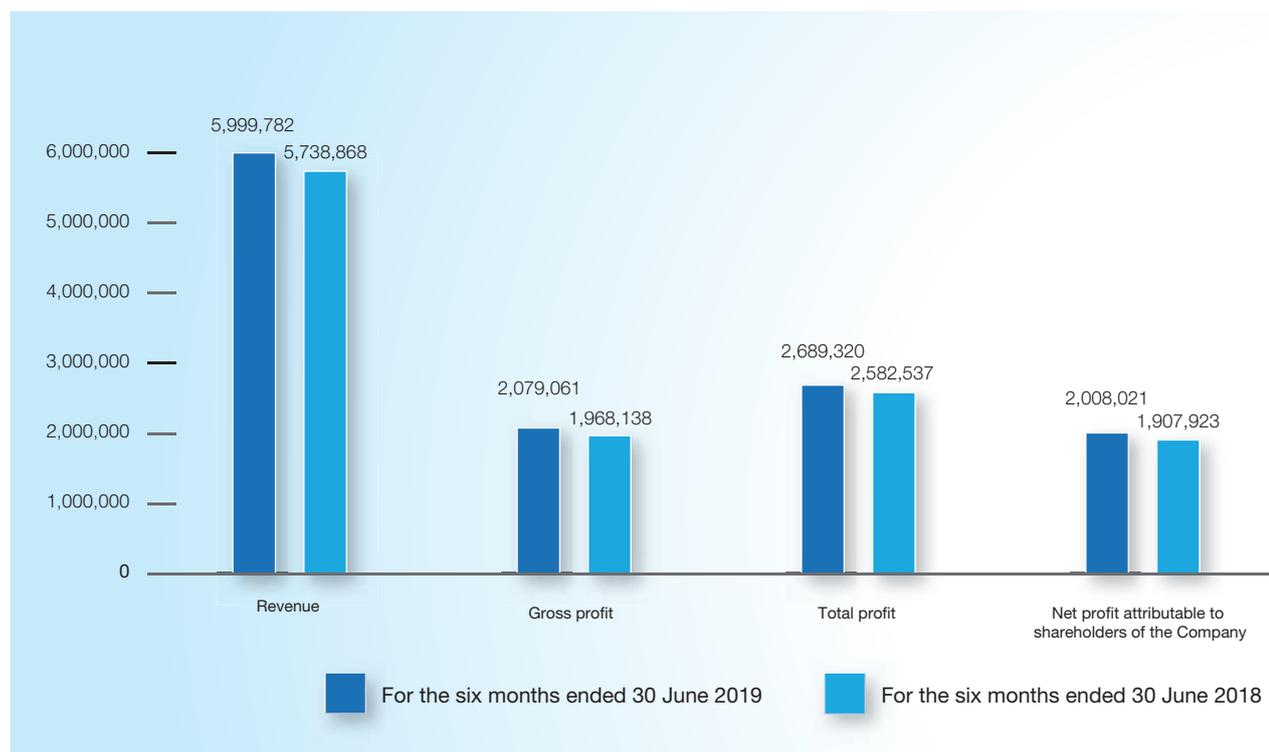
For the six months ended 30 June 2019, the cargo throughput of the Group together with its joint ventures and associates (without taking into account the respective shareholding percentage the Company has in those joint ventures and associates) reached 252.25 million tons, representing an increase of 6.3% as compared to the same period in the prior year, among which, the container throughput amounted to 10.30 million TEUs, representing an increase of 9.8% as compared to the same period in the prior year.

MANAGEMENT DISCUSSION AND ANALYSIS

The particulars are as follows:

Comparison of Major Operating Indicators

Unit: RMB'000



For the six months ended 30 June 2019, the Group recorded a revenue of RMB6,000 million, representing an increase of RMB261 million, or 4.5%, as compared to the same period in the prior year, mainly due to the increase in the revenue from the liquid bulk handling and ancillary services segment and the port ancillary services segment.

For the six months ended 30 June 2019, the Group recorded a gross profit of RMB2,079 million, representing an increase of RMB111 million, or 5.6%, as compared to the same period in the prior year, mainly due to the increase in the gross profit from the liquid bulk handling and ancillary services segment.

For the six months ended 30 June 2019, the share of profit of joint ventures and associates of the Group amounted to RMB714 million, representing an increase of RMB53 million, or 8.0%, as compared to the same period in the prior year, mainly due to the increase in the investment income from the container handling and ancillary services segment and the liquid bulk handling and ancillary services segment.

For the six months ended 30 June 2019, the general and administrative expenses of the Group was RMB262 million, representing an increase of RMB61 million, or 30.7%, as compared to the same period in the prior year, mainly due to the increase in employees and the base of social insurance and other reasons.

For the six months ended 30 June 2019, the Group recorded a total profit of RMB2,689 million, representing an increase of RMB107 million, or 4.1%, as compared to the same period in the prior year.

For the six months ended 30 June 2019, the Group recorded a net profit attributable to shareholders of the Company of RMB2,008 million, representing an increase of RMB100 million, or 5.2%, as compared to the same period in the prior year.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Segment Review

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

Proportion of Business Segment Results

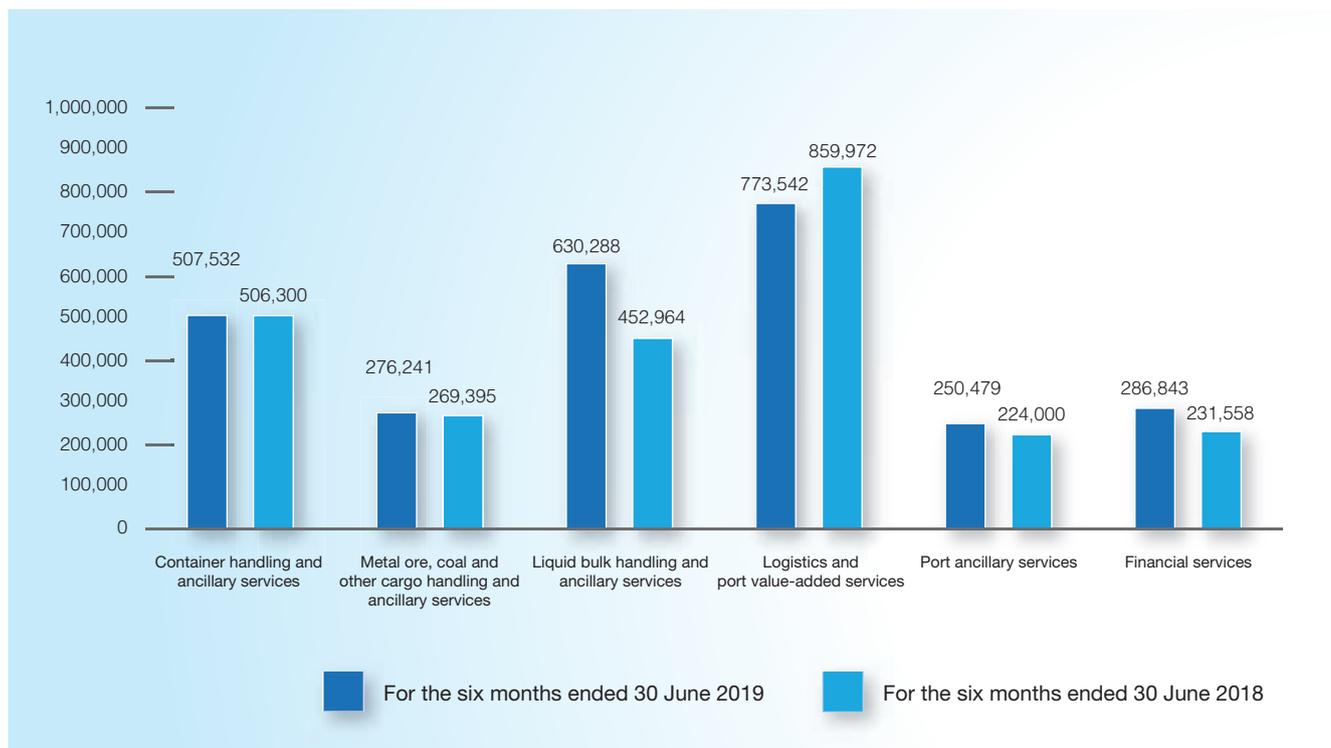
Unit: RMB' 000

Business Segments	For the six months ended 30 June				Change
	2019		2018		
	Amount	Proportion	Amount	Proportion	
Container handling and ancillary services	507,532	18.6%	506,300	19.9%	0.2%
Metal ore, coal and other cargo handling and ancillary services	276,241	10.2%	269,395	10.6%	2.5%
Liquid bulk handling and ancillary services	630,288	23.1%	452,964	17.8%	39.1%
Logistics and port value-added services	773,542	28.4%	859,972	33.8%	-10.1%
Port ancillary services	250,479	9.2%	224,000	8.8%	11.8%
Financial services	286,843	10.5%	231,558	9.1%	23.9%
Total results before inter-segment elimination	<u>2,724,925</u>	<u>100.0%</u>	<u>2,544,189</u>	<u>100.0%</u>	7.1%

MANAGEMENT DISCUSSION AND ANALYSIS

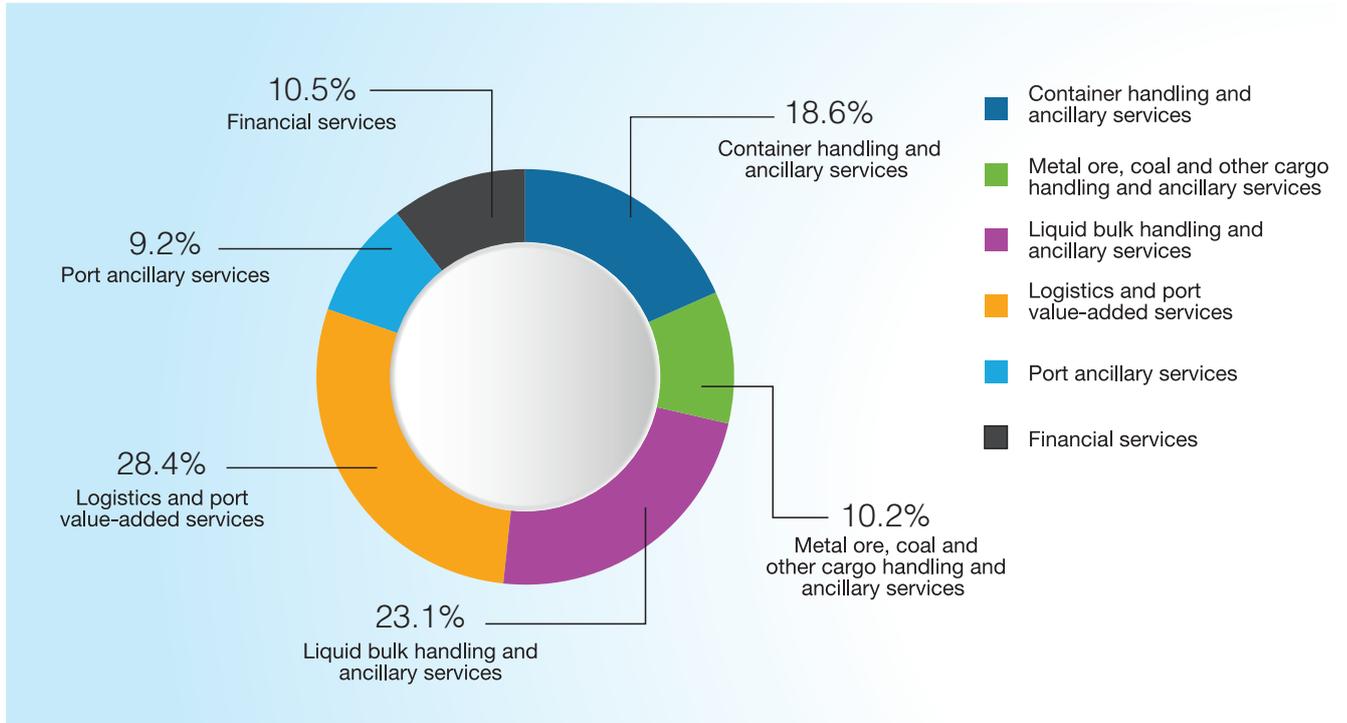
Comparison of Business Segment Results

Unit: RMB'000



MANAGEMENT DISCUSSION AND ANALYSIS

Breakdown of results of each business segment for the six months ended 30 June 2019



MANAGEMENT DISCUSSION AND ANALYSIS

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

(1) Container handling and ancillary services

Unit: RMB'000

Item	For the six months ended 30 June		Amount Changed	Percentage Changed
	2019	2018		
Consolidated Group Companies				
Revenue	106,668	112,733	-6,065	-5.4%
Cost of sales	36,610	34,372	2,238	6.5%
Gross profit	70,058	78,361	-8,303	-10.6%
Profit of Consolidated Group Companies				
	50,594	75,590	-24,996	-33.1%
Joint Ventures				
Revenue	2,011,604	1,889,940	121,664	6.4%
Cost of sales	750,151	710,553	39,598	5.6%
Share of profit of joint ventures	456,938	430,710	26,228	6.1%
Segment result	507,532	506,300	1,232	0.2%

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

For the six months ended 30 June 2019, the Group innovated in its marketing model and developed the transshipment channel for the main routes of ports in Northern China to accelerate constructing the "International Hub Port in Northeast Asia". The main breakthroughs achieved were as follows:

- (1) The Group further implemented the headquarters strategy for shipping companies, strengthened communications and exchanges with the headquarters of shipping companies both domestic and abroad, attracted shipping companies to increase shipping routes, densified the transshipment network, and added 7 container routes. The transit shipment volume grew by 31% as compared to the same period in the prior year; and
- (2) The Group newly opened 6 sea-rail intermodal routes, and established and operated 2 inland ports, which further strengthened its influence over the inland market. The Group achieved a container volume of 680,000 TEUs via the sea-rail intermodal transportation, representing an increase of 32% as compared to the same period in the prior year.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2019, the segment result of container handling and ancillary services was RMB508 million, remaining basically unchanged as compared to the same period in the prior year, among which, profits from the Consolidated Group Companies was RMB51 million, representing a decrease of RMB25 million, or 33.1%, as compared to the same period in the prior year, mainly due to the decreased revenue over the same period in the prior year as a result of the container business layout adjustment in Dagang Port Area, and the lower profits than that for the same period in the prior year as a result of the insufficient income from the container business that cannot cover depreciation, staff costs, and other expenses because the container business in Dongjiakou Port Area remains in the incubation period. The investment income from the joint ventures amounted to RMB457 million, representing an increase of RMB26 million, or 6.1%, as compared to the same period in the prior year, mainly due to the increased volume and improved efficiency as a result of the increase in throughput of foreign trade.

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

Unit: RMB'000

Item	For the six months ended 30 June		Amount Changed	Percentage Changed
	2019	2018		
Consolidated Group Companies				
Revenue	1,364,330	1,498,220	-133,890	-8.9%
Cost of sales	984,171	1,128,796	-144,625	-12.8%
Gross profit	380,159	369,424	10,735	2.9%
Profit of Consolidated Group Companies	242,938	243,316	-378	-0.2%
Joint Ventures				
Revenue	846,758	770,099	76,659	10.0%
Cost of sales	616,772	551,628	65,144	11.8%
Share of profit of joint ventures	33,303	26,079	7,224	27.7%
Segment result	276,241	269,395	6,846	2.5%

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

For the six months ended 30 June 2019, the Group proactively coped with the effects of the decreased shipments of major foreign mines and the continued overcapacity reduction of the steel industry in China, innovated in the market, expanded its ore blending and international transit businesses, deepened the strategic cooperation with its key customers, extended its whole-process logistics value-added services, and proactively expanded the new hinterland market. The main breakthroughs achieved were as follows:

- (1) The Group continued to expand the ore blending business. The arrivals of ore blending resource from Vale increased by 19.2% as compared to the same period in the prior year;

MANAGEMENT DISCUSSION AND ANALYSIS

- (2) The Group conducted strategic cooperation with Itochu Corporation in Japan to optimize the international resources bulk commodities supply chain logistics system, build up the international ore transit network in Northeast Asia, and create new support for incremental development; and
- (3) The railway connected to the Dongjiakou Port Area was officially put into operation, which helped the further improvement of the transportation system in the Dongjiakou Port Area and provided strong support for fully releasing the capacity of ports and expanding the new markets in Shanxi, Shaanxi, and Henan.

For the six months ended 30 June 2019, the revenue of metal ore, coal and other cargo handling and ancillary services was RMB1,364 million, representing a decrease of RMB134 million, or 8.9%, as compared to the same period in the prior year, which was mainly due to decreased revenue resulting from part of the dry bulk cargo stevedoring business settlement mode changing from the Company's sub-contraction to the joint ventures to settlement by joint ventures themselves. The segment result was RMB276 million, representing an increase of RMB7 million, or 2.5%, as compared to the same period in the prior year, which was mainly due to the increased operation volume for imported iron ore, the increased volume and improved efficiency for international transshipment business and ore blending business in joint ventures.

(3) Liquid bulk handling and ancillary services

Unit: RMB'000

Item	For the six months ended 30 June		Amount Changed	Percentage Changed
	2019	2018		
Consolidated Group Companies				
Revenue	690,917	440,585	250,332	56.8%
Cost of sales	181,942	133,118	48,824	36.7%
Gross profit	508,975	307,467	201,508	65.5%
Profit of Consolidated Group				
Companies	423,043	268,350	154,693	57.6%
Joint Ventures				
Revenue	862,885	952,607	-89,722	-9.4%
Cost of sales	300,356	443,596	-143,240	-32.3%
Share of profit of joint ventures	207,245	184,614	22,631	12.3%
Segment result	630,288	452,964	177,324	39.1%

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

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2019, the Group captured the period with strategic opportunities brought by the increase in imported crude oil, released the capacities of resources including terminals, tank areas and oil pipelines, and developed the integrated services of the whole-process logistics. The main breakthroughs achieved were as follows:

- (1) The Group leveraged the advantages of grand terminals and grand tank areas in the Dongjiakou Port Area, promoted the linkage between the Huangdao Oil Port Area and the Dongjiakou Port Area, and released the capacity of the Dongjiakou Port – Weifang – Central and Northern Shandong Oil Pipelines. The volume of imported crude oil in the Dongjiakou Port Area increased by 41.2% as compared to the same period in the prior year;
- (2) The Group enhanced the production organization and accelerated the efficiency of the “Four Distribution Ways” comprising railway, pipeline, highway and waterway, with a high quality and efficiency in loading and unloading of large-sized vessels, of which the distribution volume increased by 12.0% as compared to the same period in the prior year; and
- (3) The Group opened the “direct selling” model for international crude oil producers in bonded crude oil spot trade to absorb more logistics, business flow, capital flow, and information flow and to speed up the construction of a global distribution center for crude oil trade.

For the six months ended 30 June 2019, the revenue of liquid bulk handling and ancillary services was RMB691 million, representing an increase of RMB250 million or 56.8% as compared to the same period in the prior year, which was mainly due to increased revenue of pipeline transportation and storage driven by successive operation of the branch lines of the Dongjiakou Port – Weifang – Central and Northern Shandong oil pipeline (Phase II) and the auxiliary tanks. The investment income from the joint ventures amounted to RMB207 million, representing an increase of RMB23 million, or 12.3%, as compared to the same period in the prior year. The operating income and operating cost from the joint ventures decreased 9.4% and 32.3%, respectively, mainly due to the increase in the operation volume of liquid bulk of joint ventures, while the decrease in the storage income and storage cost as a result of the adjustment in business operation model of storage of oil tanks. The segment result was RMB630 million, representing an increase of RMB177 million or 39.1% as compared to the same period in the prior year, which mainly benefited from the increase in volume of the pipeline transportation and storage of ancillary tanks for the liquid bulk.

MANAGEMENT DISCUSSION AND ANALYSIS

(4) Logistics and port value-added services

Unit: RMB'000

Item	For the six months ended 30 June		Amount Changed	Percentage Changed
	2019	2018		
Consolidated Group Companies				
Revenue	2,441,081	2,698,523	-257,442	-9.5%
Cost of sales	1,673,820	1,780,021	-106,201	-6.0%
Gross profit	767,261	918,502	-151,241	-16.5%
Profit of Consolidated Group Companies				
	741,954	821,542	-79,588	-9.7%
Joint ventures and associates				
Revenue	361,306	414,918	-53,612	-12.9%
Cost of sales	266,629	294,263	-27,634	-9.4%
Share of profit of joint ventures and associates				
	31,588	38,430	-6,842	-17.8%
Segment result				
	773,542	859,972	-86,430	-10.1%

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

For the six months ended 30 June 2019, the Group vigorously developed the modern logistics business, continued to improve the port functions, firmly advanced the profound integration of “terminal + logistics”, accelerated the construction of a value-added service system integrating terminal stevedoring, transportation, CFS, agency, bonded warehouse, storage, trade, inspection, and other services, and expanded the modern logistics industry clusters. The main breakthroughs achieved were as follows:

- (1) The Group continued to optimize the port business environment, strengthened the whole-process marketing and branding operation, and continuously improved service quality and operational efficiency; and
- (2) As a designated warehouse for the delivery of pulp futures of the Shanghai Futures Exchange, the Group ranked first among the pulp futures industry in terms of the two indicators in China, namely the volume of inventories delivered and the order volume processed of pulp futures, with the market share of pulp inventory volume delivered accounting for 73.5% in China.

For the six months ended 30 June 2019, the revenue from logistics and port value-added services business reached RMB2,441 million, representing a decrease of RMB257 million or 9.5%, as compared to the same period in the prior year. The segment results reached RMB774 million, representing a decrease of RMB86 million, or 10.1%, as compared to the same period in the prior year, which was mainly due to the continuous improvement in the business environment, price reduction and profit concession and decrease in revenues and profits from CFS, agency and other business segments.

MANAGEMENT DISCUSSION AND ANALYSIS

(5) Port ancillary services

Unit: RMB'000

Item	For the six months ended 30 June		Amount Changed	Percentage Changed
	2019	2018		
Consolidated Group Companies				
Revenue	1,392,818	985,282	407,536	41.4%
Cost of sales	1,043,666	693,914	349,752	49.4%
Gross profit	349,152	291,368	57,784	19.8%
Profit of Consolidated Group				
Companies	249,946	224,000	25,946	11.6%
A joint venture				
Revenue	5,263	–	5,263	N/A
Cost of sales	3,351	–	3,351	N/A
Share of profit of a joint venture	533	–	533	N/A
Segment result	250,479	224,000	26,479	11.8%

Note: Amounts of revenue and cost of sales of a joint venture represent the amount of those in the financial statement of Ocean Bridge International Ports Management Co., Ltd. (海路國際港口運營管理有限公司), without taking into account of the shareholding percentage held by the Company in the joint venture.

For the six months ended 30 June 2019, the revenue from port ancillary services amounted to RMB1,393 million, representing an increase of RMB408 million, or 41.4%, as compared to the same period in the prior year, mainly attributable to the increase in construction revenues from Phase II of automated container terminal project and port machinery. The segment results amounted to RMB250 million, representing an increase of RMB26 million, or 11.8%, as compared to the same period in the prior year, mainly due to an increase in the profit of project construction, port machinery construction, power supply, information technology, and other businesses.

MANAGEMENT DISCUSSION AND ANALYSIS

(6) Financial services

Unit: RMB'000

Item	For the six months ended 30 June		Amount Changed	Percentage Changed
	2019	2018		
Consolidated Group Companies				
Revenue	114,287	229,157	-114,870	-50.1%
Cost of sales	25,636	41,623	-15,987	-38.4%
Gross profit	88,651	187,534	-98,883	-52.7%
Profit of Consolidated Group				
Companies	281,813	231,382	50,431	21.8%
An Associate				
Revenue	315,878	177,470	138,408	78.0%
Cost of sales	156,119	174,869	-18,750	-10.7%
Share of profit of an associate	5,030	176	4,854	2,758.2%
Segment result	286,843	231,558	55,285	23.9%

Note: Amounts of revenue and cost of sales of an associate represent the amount of those in the financial statement of Qingdao Qingyin Financial Leasing Co., Ltd. (青島青銀金融租賃有限公司), without taking into account of the shareholding percentage held by the Company in the associate.

The Group innovated in finance and capital service functions and developed new types of businesses, including extended loans to meet the diversified financing needs of its member units. The Group optimized its business structure, deepened the integration of industry and finance to provide upstream customers with financing services so as to increase customer stickiness and help develop the principal businesses of terminals. The Group has achieved the transformation of development mode from scale orientation to high quality.

For the six months ended 30 June 2019, the revenue from financial services amounted to RMB114 million, representing a decrease of RMB115 million, or 50.1%, as compared to the same period in the prior year, mainly attributable to the decreased revenue and cost as a result of the reduced daily average inter-bank deposit scale and lowered interest rate compared to the same period in the prior year as the inter-bank deposit market remained depressed with the influence of the loose monetary policy. The segment result amounted to RMB287 million, representing an increase of RMB55 million, or 23.9%, as compared to the same period in the prior year, which was mainly due to the profit growth driven by the improvement in fund utilization efficiency and the expansion of business scale in financial assets investment.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Financial Position Analysis

Unit: RMB' 000

Item	As at	As at	Amount Changed	Percentage Changed
	30 June 2019	31 December 2018		
Cash at bank and on hand	11,376,939	8,077,972	3,298,967	40.8%
Other receivables	2,365,877	1,782,762	583,115	32.7%
Other current assets	2,348,148	3,903,247	-1,555,099	-39.8%
Right-of-use assets	633,223	–	633,223	N/A
Other payables	9,235,200	5,954,950	3,280,250	55.1%
Leases liabilities	527,693	–	527,693	N/A
Current portion of non-current liabilities	131,429	3,595,929	-3,464,500	-96.3%
Bonds payable	2,133,207	–	2,133,207	N/A

As at 30 June 2019, the Group's cash at bank and on hand increased by RMB3,299 million, or 40.8%, as compared to the beginning of this year, mainly due to the increase from operating activities amounting to RMB967 million and the increase of RMB1,979 million from the initial public offering of A shares of the Company.

As at 30 June 2019, the Group's other receivables increased by RMB583 million, or 32.7%, as compared to the beginning of this year, mainly due to the increase of RMB546 million in receivables and collected on behalf in relation to the agent procurement and other businesses of the Group.

As at 30 June 2019, the Group's other current assets decreased by RMB1,555 million, or 39.8%, as compared to the beginning of this year, mainly due to the combined effect of the decrease of RMB1,816 million in interbank negotiable certificate of deposit and income certificate of Qingdao Finance, and the increase of RMB307 million in the purchase of financial assets held under resale agreement conducted by Qingdao Finance.

As at 30 June 2019, the Group's right-of-use assets increased by RMB633 million as compared to the beginning of this year, mainly due to the recognition of leased assets other than short-term leases and low-value asset leases as right-of-use assets as per the New Lease Standards.

As at 30 June 2019, the Group's other payables increased by RMB3,280 million, or 55.1%, as compared to the beginning of this year, mainly due to RMB2,423 million of declared-but-unpaid dividends and the net increase of RMB628 million in deposits absorbed by Qingdao Finance.

As at 30 June 2019, the Group's leases liabilities increased by RMB528 million as compared to the beginning of this year, mainly due to the recognition of leased payables other than short-term leases and low-value asset leases as leases liabilities as per the New Lease Standards.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2019, the Group's current portion of non-current liabilities decreased by RMB3,465 million as compared to the beginning of this year, and the bonds payable increased by RMB2,133 million as compared to the beginning of this year. The main reason was that investors did not exercise the sell-back option at the beginning of this year and the Company cannot discretionarily extend the repayment obligation, so the Company classified RMB3,500 million of bonds payable to current portion of non-current liabilities at the beginning of this year, while as at 30 June 2019, the outstanding bonds are re-classified from "current portion of non-current liabilities" to "bonds payable" as the sell-back option has been exercised, while certain investors have chosen to hold the bonds until 2021.

4. Cash Flow Analysis

For the six months ended 30 June 2019, the Group's net cash inflow amounted to RMB3,296 million, among which:

- (1) Net cash inflow from operating activities amounted to RMB967 million, mainly derived from the operating profit of the Consolidated Group Companies;
- (2) Net cash inflow from investing activities amounted to RMB1,135 million, mainly comprising of the net cash inflow of RMB1,326 million arising from recovering the wealth management products when due; the cash inflow of RMB217 million arising from receiving of interest income from loans and deposits; the net cash inflow of RMB376 million arising from recovering the statutory deposit reserves placed with the central bank; the net cash payment of RMB379 million for the purchase of term deposits with a fixed term of over three months; and the cash outflow of RMB490 million for the net payment for the purchase of fixed assets and construction in progress, etc.; and
- (3) Net cash inflow from financing activities amounted to RMB1,191 million, mainly comprising receipt of the net proceeds of RMB1,979 million arising from the initial public offering of A shares of the Company in the first half of the year; net cash inflow of RMB628 million arising from the deposits-absorbing business of Qingdao Finance; the net cash inflow of RMB609 million from short-term borrowings; cash outflow of RMB1,742 million for repayment of corporate bonds; and cash outflow of RMB145 million for payment of interest, etc.

In order to facilitate the understanding of shareholders of the Company and investors, after eliminating the impact of Qingdao Finance as well as the Group's purchase of wealth management products and the recovery of fixed term deposits with an initial term over three months on the cash flow, the net cash inflow of the Group amounted to RMB2,158 million.

5. Liquidity and Financial Resources

As at 30 June 2019, the Group's cash at bank and on hand amounted to RMB11,377 million and financial assets including interbank deposits amounted to RMB3,244 million. After eliminating the impact of Qingdao Finance, the self-owned cash at bank and on hand and financial assets of the Group amounted to RMB12,098 million. After eliminating the impact of Qingdao Finance, the Group's total interest-bearing debts amounted to RMB2,740 million, among which, debt at fixed interest rates amounted to RMB2,559 million and debt at floating interest rates amounted to RMB181 million. The Group continued to optimize its financial policies to ensure continuous operation with best capital structure to provide favorable returns for the shareholders of the Company.

As at 30 June 2019, the amount of the Group's cash at bank and on hand exceeded its interest-bearing debt.

MANAGEMENT DISCUSSION AND ANALYSIS

6. Capital Structure

As at 30 June 2019, the total equity of the Group amounted to RMB31,169 million, representing an increase of RMB1,749 million as compared to the beginning of this year, among which, the equity interest attributable to the shareholders of the Company increased by RMB1,626 million and the equity interest of minority shareholders increased by RMB124 million. The increase of the equity interest attributable to the shareholders of the Company was mainly due to the increase of RMB1,979 million raised from the initial public offering of A shares of the Company during the current period, the increase of RMB2,008 million in the achieved operating profit, and the decrease of RMB2,465 million in the declared dividend distribution.

As at 30 June 2019, the Company had 6,491,100,000 issued shares, comprising of 5,392,075,000 A shares and 1,099,025,000 H shares, representing 83.07% and 16.93% of the total issued share of the Company, respectively. The A share market capitalization and H share market capitalization of the Company was RMB43,298 million and HK\$6,253 million, respectively, which are calculated based on the closing price of RMB8.03 on the Shanghai Stock Exchange and the closing price of HK\$5.69 on the Hong Kong Stock Exchange as at 28 June 2019.

7. Gearing Ratio

Details of the Group's gearing ratio are set out in Note 15 to the financial statements.

8. Interest Rate and Exchange Rate Risks

As at 30 June 2019, cash at bank and on hand, receivables, payables and external bank borrowings of the Group amounted to RMB7,769 million, RMB2,200 million, RMB6,110 million and RMB181 million, respectively. The Group assessed the interest rate risk and anticipated that interest rate risk would have no material impact on the Group.

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

The Group will continue to closely monitor interest rate and exchange rate risks. The Group did not enter into any hedging arrangements to hedge against exposures to interest rate and exchange rate risks for the six months ended 30 June 2019.

9. Financial Indicators

Indicators	For the six months ended 30 June		Change (+/-)
	2019	2018	
Return on total assets	4.3%	4.3%	basically unchanged
Weighted average return on net assets	6.9%	7.8%	-0.9 percentage point
Interest coverage ratio	24.08	23.85	+0.23 time
Current ratio	1.61	1.66	-0.05
Quick ratio	1.56	1.63	-0.07

For the six months ended 30 June 2019, the return on total assets of the Group was 4.3%, representing basically unchanged as compared to the same period in the previous year; the weighted average return on net assets was 6.9%, representing a decrease of 0.9 percentage point as compared to the same period in the previous year, mainly because some projects into which proceeds raised from the initial public offering of A shares were invested are still under construction and yield no returns during the current period. The interest coverage ratio of the Group was 24.08, representing an increase of 0.23 time as compared to the same period in the previous year, mainly resulting from the increase in operating profits during the current period.

MANAGEMENT DISCUSSION AND ANALYSIS

Summarized Financial Information of Joint Ventures

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

Unit: RMB'000

	QQCT		Qingdao Shihua	
	For the six months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
Revenue	1,929,353	1,811,902	838,063	936,663
Cost of sales	(706,161)	(671,142)	(286,734)	(432,945)
Profit before income tax	1,160,210	1,106,802	517,624	461,130
Income tax expenses	(256,688)	(253,122)	(115,548)	(101,889)
Net profit for the period	903,522	853,680	402,076	359,241
Minority interests	8,670	11,223	-	-
Net profit attributable to the shareholders of joint ventures	894,852	842,457	402,076	359,241

Considering the impact of the fair value of identifiable assets and liabilities at acquisition:

Net profit for the period	864,883	814,009	-	-
Net profit attributable to the shareholders of joint ventures	856,213	802,786	-	-
Other distribution	1,559	-	-	-
Shareholding percentage in joint ventures held by the Group	51%	51%	50%	50%
Share of profit by the Group before elimination (Note)	448,647	429,653	201,038	179,621
Unrealised profit	(20,537)	(23,815)	1,778	3,506
Share of profit by the Group accounted for using the equity method	428,110	405,838	202,816	183,127

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

	Unit: RMB' 000	
	As at 30 June 2019	As at 31 December 2018
Consolidated balance sheet		
Cash at bank and on hand	(721,394)	(2,664,530)
Financial assets held for trading	960,000	875,000
Other receivables	706,966	718,655
Other current assets	1,992,519	3,503,353
Current portion of non-current assets	406,369	374,112
Long-term receivables	1,396,871	1,302,551
Other non-current financial assets	289,144	196,373
Other payables	4,583,839	3,934,829
General risk reserve	298,284	298,284
		Unit: RMB' 000
	For the six months ended 30 June	
Consolidated income statement	2019	2018
Finance expenses – interest income	110,227	225,632
Finance expenses – interest expenses	(25,125)	(41,114)

III. SIGNIFICANT INVESTMENT

1. Significant Equity Investment

Details of the Group's significant equity investment for the reporting period are set out in Note 4(12), Note 6(2) to the financial statements.

2. Fixed Assets and Construction in Progress

For the six months ended 30 June 2019, the Group had investments in fixed assets and construction in progress of RMB597 million, mainly for the investment of Dongjiakou Port – Weifang – Central and Northern Shandong Oil Pipeline Construction Project Phase II and Phase III branch lines, Dongjiakou crude oil terminal Phase II and other projects, and the equipment. Details are set out in Note 4(15) and Note 4(16) to the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Significant Entrusted Wealth Management

As at 30 June 2019, the Group did not have any significant entrusted wealth management.

4. Investment Properties

Details of investment properties of the Group for the reporting period are set out in Note 4(14) to the financial statements.

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

For the six months ended 30 June 2019, the Group did not have any significant acquisition and disposal of subsidiaries, joint ventures and associates.

V. MORTGAGE AND PLEDGE OF ASSETS

As at 30 June 2019, none of the Group's assets was mortgaged or pledged.

VI. CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any significant contingent liabilities.

VII. EMPLOYEES

As at 30 June 2019, the Company had 4,808 employees while our principal subsidiaries had 3,729 employees. The Group implements a “two match” principle (i) to match the revenue growth with the Company's operation and development, and (ii) to match the growth of labor's remuneration with the increase of labor productivity. The Group links the salaries of employees with the results of the Group, and the employees' salaries or its units are adjusted annually in accordance with the employees' working performance, human resources market condition and the economic environment. We basically implement a basic salary plus a performance-based salary system for our senior management of the Company. In addition, to actively establish a learning enterprise and cultivate employees with active learning, the Group offers internal trainings on safety and security, business operations and technical skills to the employees to improve their skills related to their positions.

VIII. DESCRIPTION OF OTHER MATTERS

As Dagang Port Area is planned to be transformed and upgraded into an international home port for cruise liners, the business of Dagang Port Area will be gradually relocated to Dongjiakou Port Area and Qianwan Port Area. As at 30 June 2019, the construction of international home port for cruise liners had no effect on the operation of Dagang Port Area.

The government of Qingdao Economic and Technological Development Zone is in the process of adopting a new urban planning scheme that may relocate the port operations in Huangdao Oil Port Area and operations of certain clients around Huangdao Oil Port Area to Dongjiakou Port Area. As at 30 June 2019, the Group did not receive any relocation plan or relevant notice, and did not obtain any information in relation to such relocation of clients and businesses to Dongjiakou Port Area, hence the operation of Huangdao Oil Port Area was not affected.

IX. SUBSEQUENT EVENTS

On 22 August 2019, QDP, Shandong Port Group, Qingdao SASAC, and the State-owned Assets Supervision & Administration Commission of Weihai Municipal Government entered into the Gratuitous Transfer Agreement, pursuant to which, Qingdao SASAC shall transfer 100% equity interests in QDP, including 100% equity interests in Weihai Port Group Co., Ltd. to be held by QDP, to Shandong Port Group, and QDP will become a wholly-owned subsidiary of Shandong Port Group (the “Gratuitous Transfer”). The closing of the Gratuitous Transfer is subject to (i) the taking effect of the Gratuitous Transfer Agreement, (ii) A shares of the Company having being listed for one year, (iii) the approval from the State Administration for Market Regulation on the declaration of concentration of business undertakings involved in the Gratuitous Transfer, and (iv) the exemption from the China Securities Regulatory Commission and the waiver from Hong Kong Securities and Futures Commission on the obligation of making a general offer regarding the shares of the Company by Shandong Port Group triggered by the Gratuitous Transfer.

As at the date of this report, the closing of the Gratuitous Transfer has not been completed. Upon completion of the Gratuitous Transfer, QDP will remain as the controlling shareholder of the Company, while the ultimate controller of the Company will change from Qingdao SASAC to the State-owned Assets Supervision & Administration Commission of Shandong Provincial Government. Please refer to the announcements of the Company dated 22 August 2019, 23 August 2019 and 28 August 2019 for detailed information.

X. OUTLOOK FOR THE SECOND HALF OF 2019

In the second half of 2019, China will continue to deepen its reforms and expand the opening-up, with the healthy overall development of economy remaining unchanged in the long run. Meanwhile, the domestic economy will be faced with downturn pressure under the uncertainties brought about by the slowdown in global economic growth and the Sino-US trade frictions. In light of this, the Company will take the opportunity to participate in the OBOR national construction, the replacement of old growth drivers with new ones in the Shandong Province, and the construction of the Qingdao International Shipping Trade Finance Innovation Center (青島市國際航運貿易金融創新中心), and to strengthen exploration and innovation, concentrate on its principal business of terminal, accelerate diversified development, promote the “Double-transformation” from the gateway port to the hub port and from the logistics port to the trade port, and accelerate the construction of a world-class ocean port. To this end, the Group will focus on strengthening the following aspects:

1. To innovate in and expand our principal business of terminal

The Group will innovate in incentive policies and strengthen market expansion. With respect to our container business, the Group will strengthen communication with the headquarters of shipping companies, increase shipping lines, expand the transit scale, accelerate the development of domestic trade containers, and strengthen the position of hub ports. With respect to our dry bulk cargo business, the Group will strengthen strategic cooperation, expand the international transit of iron ores, and expedite the landing of the projects such as fine ore matching and ore dressing in the Dongjiakou Port Area. The Group will promote the “bulk containerization” model to expand the “break bulk cargos + containers + railways” whole-process logistics. With respect to our liquid bulk cargo business, the Group will leverage its comprehensive advantages in grand terminals, grand tank areas, and oil transportation pipelines, optimize the production process, provide customized service solutions, and increase the scale of waterways.

MANAGEMENT DISCUSSION AND ANALYSIS

2. To improve the whole-process logistics service system

The Group will, based on its development position as a global, networking, and intelligent whole-process logistics service provider, strengthen the allocation of resources, consolidate and increase its market share in the existing business formats such as sea-rail intermodal routes, CFS, agency, storage, hazardous goods, and inspection, and increase additional sea-rail intermodal routes to maintain its leading position in China in terms of the container volume of sea-rail intermodal transportation. The Group will vigorously develop new emerging business formats, such as cold-chain logistics, entire vessel business, cross-border e-commerce, shipping platform, and container repair and lease, and accelerate the construction of the whole-process logistics service system.

3. To innovate in and develop the finance and trade industries

The Group will steadily develop its finance business, increase the proportion of low-risk standardized products, and expand the investments in interest rate bonds and highly-rated financial bonds. In addition, the Group will also vigorously innovate in flexible loan products, proactively serve for the key projects such as the phase II of the automated container terminal project, and meet the demand of member units for diversified financial services. The Group will focus on building its shipping and port related characteristic insurance services, expedite the docking between insurance and port-based principal businesses, and improve the standard and platform-based operational level of shipping and port-related insurance. Moreover, the Group will strengthen the allocation of resources, and make the best of carriers, such as cluster cargo of port future delivery warehouses and bonded spot crude oil tanks, so as to build a trade development platform.

4. To accelerate the construction of intelligent ports

The Group will strengthen the design of the top level, and study and formulate planning for the development of intelligent ports. The Group will accelerate the launching of various high technologies such as 5G and Beidou Satellite Navigation system at ports. The Group will strengthen the innovation in information management, develop a united information service management mechanism and build the “Single Window” for external services. In addition, the Group will promote key information projects, accelerate the construction of phase II of the automatic container terminal project, expedite the semi-automaticity transformation of stockyards at the traditional container terminal, and build an open application and data system for the collection, sharing, and access of port-related data.

5. To deeply expand overseas layout

The Group will participate in the construction of OBOR by promoting the Abu Dhabi Terminal Joint Venture Project in United Arab Emirates and the Vado Ligure Terminal Project in Italy, and appropriately manage the crude oil terminal in Mude Island in Myanmar, in order to build our overseas management brands. The Group will continue to deepen the cooperation with our strategic partners, such as COSCO Shipping Port Co., Ltd., focusing on the export of capital and management in promoting overseas port and terminal projects in countries and regions along the OBOR and continuously expanding the layout of the overseas terminal projects of the Group, so as to accelerate the transformation from the “Internationalization of Qingdao Port” to “International Qingdao Port”.

6. To strengthen the support for the development of ports

The Group will strengthen project management, coordinate the allocation of resources, and accelerate the construction of key projects, such as the Dongjiakou Port-Weifang-Central and Northern Shandong oil pipeline construction project (Phase III), the Dongjiakou crude oil terminal (Phase II), the crude oil commercial depot (Phase I), and the CNPC crude oil tank project. The Group will accelerate the handling of the preliminary procedures for the construction project of liquid bulk cargo and dry bulk cargo terminals and warehouses in the Dongjiakou Port Area in order to start construction early to the extent practicable, so as to provide support for the incremental development of our principal terminal businesses.

7. To enhance the corporate governance

The Group will strengthen the management of the strategic planning, focus on the new trends and new business formats in global shipping and ports development, identify the pulse of the frontline areas, and systematically conduct forward-looking research. The Group will strengthen performance management, increase income and cut costs, and stringently control the risk of account receivables. Meanwhile, in order to strengthen compliance management, the Group will continue to disclose information strictly according to the regulatory requirements for companies of which both A shares and H shares are listed, and continuously improve the modern corporate governance system and corporate governance structure. The Group will conduct education and training as well as operational skill contest for all employees, do practical work for employees' benefits, and fully mobilize their enthusiasm and creativity. The Group will prepare and implement a plan for port energy and accelerate the layout and application of shore power supply for vessels at terminals, so as to build a safe and green port.

OTHER INFORMATION

I. CORPORATE GOVERNANCE PRACTICES

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

The Company has complied with all code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Hong Kong Listing Rules for the six months ended 30 June 2019.

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

The Company has adopted the Model Code of Appendix 10 to the Hong Kong Listing Rules as its own code of conduct for securities transactions by Directors and Supervisors. Specific enquiry has been made to all the Directors and Supervisors and each of the Directors and Supervisors has confirmed that he/she has complied with the Model Code throughout the six months ended 30 June 2019.

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

Save as otherwise disclosed in this report, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any Directors or Supervisors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors and Supervisors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate for the period ended 30 June 2019.

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

Due to his age, Mr. ZHENG Minghui has ceased to act as the executive Director, the chairman of the Board, the chairman of the strategy and development committee of the Board, a member of the nomination committee of the Board and the authorised representative of the Company under Rule 3.05 of the Hong Kong Listing Rules since 29 January 2019. On the same date, Mr. JIAO Guangjun was appointed as a member of the Nomination Committee of the Board, with a term ending on the date of the expiration of the Board of the second session. On the same date, Mr. JIAO Guangjun was appointed as the authorised representative of the Company under Rule 3.05 of the Hong Kong Listing Rules, with effect from 29 January 2019. For further details, please refer to the announcement of the Company published on 29 January 2019.

At the joint meeting of employee representative meeting of the Company held on 29 April 2019, Mr. CHU Xiaozhong was re-elected and appointed as the employee representative Director, and Mr. LIU Shuiguo and Ms. WANG Xiaoyan were re-elected and appointed as the employee representative Supervisors, all with a term of office of three years commencing from the date of the election of the non-employee representative Directors of the Board of the third session and the non-employee representative Supervisors of the supervisory committee of the third session at the 2018 annual general meeting of the Company, i.e., 17 May 2019. For further details, please refer to the announcement of the Company published on 29 April 2019.

The Directors and Supervisors in the third session of the Company were elected at the annual general meeting of 2018 of the Company held on 17 May 2019. Mr. LI Fengli, Mr. ZHANG Jiangnan and Ms. JIANG Chunfeng were appointed as executive Directors, Mr. JIAO Guangjun and Mr. ZHANG Wei were appointed as non-executive Directors, Ms. LI Yan, Mr. JIANG Min and Mr. LAI Kwok Ho were appointed as independent non-executive Directors; Mr. ZHANG Qingcai and Mr. LI Wucheng were appointed as Supervisors, Mr. WANG Yaping and Mr. YANG Qiulin were appointed as independent Supervisors, all becoming effective on 17 May 2019. On the same date, Mr. LI Fengli was elected as the chairman of the Board in the third session; Mr. JIAO Guangjun was elected as the vice chairman of the Board in the third session; and Mr. ZHANG Qingcai was elected as the chairman of the supervisory committee of the Company in the third session, each with a term ending on the date of expiration of Board and supervisory committee of the third session. Mr. ZHANG Jiangnan was appointed as the president of the Company with a term of three years commencing from 17 May 2019. For further details, please refer to the announcement of the Company published on 17 May 2019.

Since their term as Directors expired, Mr. WANG Yaping, Mr. CHAU Kwok Keung and Mr. YANG Qiulin all ceased to act as the independent non-executive Directors as well as their positions under Board committees of the Company since 17 May 2019. Since their term as Supervisors expired, Mr. LI Xuxiu and Mr. LIU Dengqing all ceased to act as the independent Supervisors since 17 May 2019. For further details, please refer to the announcement of the Company published on 17 May 2019.

On 15 July 2019, Mr. LI Fengli, the executive Director and chairman of the Board of the Company, was appointed as the director and general manager of Shandong Port Group, and Mr. JIAO Guangjun, the non-executive Director and vice chairman, was appointed as the vice general manager of Shandong Port Group.

Save as disclosed herein, there had been no changes to the Directors', supervisors' and chief executive's information as required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules in this report.

V. REVIEW OF FINANCIAL STATEMENTS BY THE AUDIT COMMITTEE

The Audit Committee of the Board has reviewed the unaudited interim results and the interim report of the Company for the six months ended 30 June 2019.

OTHER INFORMATION

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

For the six months ended 30 June 2019, certain investors partially conducted the option to sell back the corporate bonds of “16 Qing Gang 01” and “16 Qing Gang 02”, separately, under the terms of investors’ option to sell back as stipulated in the “Prospectus of Qingdao Port International Co., Ltd. for the Public Issue of 2016 Corporate Bonds (Phase I) (《青島港國際股份有限公司公開發行2016年公司債券(第一期)募集說明書》)” and the “Prospectus of Qingdao Port International Co., Ltd. for the Public Issue of 2016 Corporate Bonds (Phase II) (《青島港國際股份有限公司公開發行2016年公司債券(第二期)募集說明書》)”, and the Company repurchased such corporate bonds accordingly. Details are set out in the table below:

Unit: RMB’000

Abbreviation of bonds	Amount before investors’ selling-back	Amount after investors’ selling-back	Remaining balance of the bonds listed and traded on the Shanghai Stock Exchange
16 Qing Gang 01	1,500,000	90,900	1,409,100
16 Qing Gang 02	2,000,000	1,292,200	707,800

For further details, please refer to the overseas regulatory announcements of the Company published on 18 February 2019, 20 February 2019, 21 February 2019, 22 February 2019, 1 March 2019, 13 March 2019, 10 May 2019, 13 May 2019, 14 May 2019, 15 May 2019, 23 May 2019 and 5 June 2019.

Save as disclosed in this report, no purchase, sale and redemption of any listed securities of the Company was made by the Company or any of its subsidiaries for the six months ended 30 June 2019.

VII. INITIAL PUBLIC OFFERING OF A SHARES

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

Details of the use of proceeds were as follows:

Unit: RMB'000

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

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

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

OTHER INFORMATION

VIII. USE OF PROCEEDS

The net proceeds from the Global Offering of H Shares of the Company were approximately RMB2,198 million. Considering the actual business development and operation needs of the Group, the Company has changed the investment projects which the remaining net proceeds were originally proposed to fund. Please refer to the announcement of the Company dated 28 December 2016 for detailed information. As at 31 December 2018, approximately RMB48 million was carried forward to this year, which was proposed to be used towards the construction of the oil tanks in the Dongjiakou Port Area. During the six months ended 30 June 2019, the Company did not use the aforesaid remaining proceeds. The Company will utilize the remaining proceeds in accordance with the progress of the investment projects and the business development. As at the date of this report, there is no detailed schedule for the utilization of the remaining proceeds.

The net proceeds from the New H Shares Placing of the Company were approximately HK\$1,035 million, equivalent to approximately RMB912 million. As at 31 December 2018, approximately HK\$1,035 million was carried forward to this year, which is proposed to be used towards the overseas projects investment in accordance with the ways as disclosed in the announcement of the Company dated 20 January 2017. For the six months ended 30 June 2019, HK\$1.09 million had been utilized towards the investment projects in the way as disclosed in the announcement of the Company dated 20 January 2017, which was mainly used as initial expenses of overseas projects investment including the Khalifa Port Container Terminal II Project in Abu Dhabi. The Company is carrying out due diligence and negotiation towards the proposed investment project. As at the date of this report, there is no detailed schedule for the utilization of the remaining proceeds.

The net proceeds from the Company's issuance of Domestic Shares to Shanghai China Shipping Terminal Development Co., Ltd. were approximately RMB2,600 million. As at 31 December 2018, approximately RMB312 million was carried forward to this year, which is proposed to be used towards the construction of the port facilities in the Dongjiakou Port Area, the optimization of the modern logistics business structure of the Company, the domestic terminals investment and acquisition and the consolidation of the relevant terminal assets in the Port of Qingdao, and the information facility construction of the Company in accordance with the ways as disclosed in the announcement of the Company dated 20 January 2017. For the six months ended 30 June 2019, RMB35 million had been utilized towards the investment projects in the way as disclosed in the announcement of the Company dated 20 January 2017, which was mainly used for the construction of the port facilities in the Dongjiakou Port Area and the information facility construction of the Company. The Company will utilize the remaining proceeds in accordance with the progress of the investment projects and the business development. As at the date of this report, there is no detailed schedule for the utilization of the remaining proceeds.

The net proceeds from the initial public offering of A shares of the Company were approximately RMB1,979 million, which will be proposed to be used towards the construction of berths and stacking yards in the Dongjiakou Port Area, intelligent upgrade of port area, equipment procurement, and supplementing working capital in the way as disclosed in the prospectus for the initial public offering of A shares. For the six months ended 30 June 2019, the proceeds of (i) approximately RMB320 million was used to replace the self-raised funds putting into investment projects in advance, and (ii) approximately RMB374 million had been utilized towards the investment projects in the way as disclosed in the prospectus for the initial public offering of A shares of the Company and in the announcement of the Company dated 30 January 2019, which was mainly used for the project of Qingdao Port Investment multi-purpose berths and North Jetty II rear ancillary stacking yards in Dongjiakou Port Area, equipment procurement, information technology projects and supplementing working capital. As at 30 June 2019, the remaining proceeds from the initial public offering of A shares of the Company were RMB1,289,897,131. The Company will utilize the remaining proceeds in accordance with the progress of the investment projects and the business development. As at the date of this report, there is no detailed schedule for the utilization of the remaining proceeds.

IX. DIVIDENDS

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2019.

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

As at 30 June 2019, Mr. LIU Dengqing, the then supervisor of the Company, who has resigned on 17 May 2019, held 1,000 A shares of the Company. Save as disclosed above, so far as the directors are aware, as at 30 June 2019, none of the Directors, Supervisors or chief executive of the Company has any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), (i) which will be required, pursuant to Section 352 of the SFO, to be recorded in the register kept by the Company, or (ii) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

As at 30 June 2019, so far as the directors are aware, the following persons (other than the Directors, Supervisors and chief executive of the Company) will be taken or deemed to have interests and/or short positions in the shares or underlying shares of the Company which would be required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Name	Class of Shares	Capacity/Nature of interest	Number of shares held ⁽¹⁾	Approximate percentage of shareholding in the registered capital of the Company	Approximate percentage of shareholding in the total number of issued A shares of the Company	Approximate percentage of shareholding in the total number of issued H shares of the Company
QDP	A shares	Beneficial owner ⁽²⁾	3,522,179,000 (L)	54.26%	65.32%	–
COSCO SHIPPING Ports Limited	A shares	Interest in a controlled corporation ⁽³⁾	1,111,520,000 (L)	17.12%	20.61%	–
China COSCO (Hong Kong) Limited	A shares	Interest in a controlled corporation ⁽³⁾	1,111,520,000 (L)	17.12%	20.61%	–
COSCO SHIPPING Holdings Co., Ltd.	A shares	Interest in a controlled corporation ⁽³⁾	1,111,520,000 (L)	17.12%	20.61%	–
China Ocean Shipping (Group) Company	A shares	Interest in a controlled corporation ⁽⁴⁾	1,207,520,000 (L)	18.60%	22.39%	–
China COSCO Shipping Corporation Limited	A shares	Interest in a controlled corporation ⁽⁴⁾	1,207,520,000 (L)	18.60%	22.39%	–
Value Partners Group Limited	H shares	Interest in a controlled corporation ⁽⁵⁾	98,747,000 (L)	1.52%	–	8.98%
Value Partners High-Dividend Stocks Fund	H shares	Beneficial owner	98,260,000 (L)	1.51%	–	8.94%
中國人壽保險(集團)公司	H shares	Beneficial owner	180,000,000 (L)	2.77%	–	16.38%
Invesco Asset Management Limited	H shares	Investment Manager	87,755,000 (L)	1.35%	–	7.98%
FMR LLC	H shares	Interest in a controlled corporation	66,037,983 (L)	1.02%	–	6.01%

OTHER INFORMATION

Notes:

- (1) The letter “L” denotes long position in such securities.
- (2) QDP is wholly owned by the State-owned Assets Supervision and Administration Commission of Qingdao Municipal Government. The Company was informed that as at 30 June 2019, QDP held 13,739,000 H shares of the Company via its wholly-owned subsidiary Qingdao Port Financial Holdings Limited, representing approximately 1.25% of the total number of issued H shares of the Company. According to the SFO, the shareholders of the Company only need to submit the disclosure of interests form when certain conditions are reached. As at the date of holding the H shares of the Company by Qingdao Port Financial Holdings Limited, the wholly-owned subsidiary of QDP, and as at the date of this report, the Company had sufficient public float and the issued shares of the Company held by the public is no less than 16.62%, and is therefore in compliance with the Hong Kong Listing Rules.
- (3) 96,000,000 A shares and 1,015,520,000 A shares of the Company are directly held by China Shipping Terminal Development Co., Ltd. and Shanghai China Shipping Terminal Development Co., Ltd., respectively. Shanghai China Shipping Terminal Development Co., Ltd. is wholly owned by China Shipping Terminal Development Co., Ltd.. China Shipping Terminal Development Co., Ltd. is wholly owned by China Shipping Ports Development Co., Limited, which is wholly owned by COSCO SHIPPING Ports Limited. COSCO SHIPPING Ports Limited is 47.61% owned by China COSCO (Hong Kong) Limited, which is wholly owned by COSCO SHIPPING Holdings Co., Ltd.. COSCO SHIPPING Holdings Co., Ltd. is 45.47% owned by China Ocean Shipping (Group) Company, which is wholly owned by China COSCO Shipping Corporation Limited. As such, each of COSCO SHIPPING Ports Limited, China COSCO (Hong Kong) Limited, and COSCO SHIPPING Holdings Co., Ltd. is deemed to be interested in 1,111,520,000 A shares of the Company.
- (4) In addition to the 96,000,000 A shares and 1,015,520,000 A shares of the Company directly held by China Shipping Terminal Development Co., Ltd. and Shanghai China Shipping Terminal Development Co., Ltd. respectively, there are 96,000,000 A shares of the Company directly held by COSCO Shipping (Qingdao) Co., Ltd., which is wholly-owned by China COSCO Shipping Corporation Limited. As such, China COSCO Shipping Corporation Limited is deemed to be interested in 1,207,520,000 A shares of the Company.
- (5) Such shares of the Company are directly held by Value Partners Limited, which is wholly owned by Value Partners Hong Kong Limited; and Value Partners Hong Kong Limited is wholly owned by Value Partners Group Limited.

Save as disclosed above, as at 30 June 2019, none of the persons had interest or short positions in the shares and underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which will be required, pursuant to Section 336 of the SFO, to be recorded in the register kept by the Company.

CONSOLIDATED BALANCE SHEET

As at 30 June 2019

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

ASSETS	Note 4	30 June 2019 (Unaudited)	31 December 2018
Current assets			
Cash at bank and on hand	(1)	11,376,939,312	8,077,972,498
Financial assets held for trading	(2)	960,000,000	875,000,000
Notes receivable	(3)	163,723,794	65,198,592
Accounts receivable	(4)	2,279,893,873	2,068,535,326
Financing receivables	(5)	543,177,217	670,396,485
Advances to suppliers	(6)	150,823,847	81,694,054
Other receivables	(7)	2,365,876,832	1,782,762,150
Inventories	(8)	245,144,484	174,723,066
Contract assets	(9)	421,388,186	280,972,522
Current portion of non-current assets	(11), (21)	418,535,931	385,744,736
Other current assets	(10)	2,348,147,849	3,903,247,154
Total current assets		<u>21,273,651,325</u>	<u>18,366,246,583</u>
Non-current assets			
Long-term receivables	(11)	1,616,541,079	1,606,080,481
Long-term equity investments	(12)	9,648,570,703	8,825,256,813
Other non-current financial assets	(13)	361,351,417	268,580,567
Investment properties	(14)	186,391,003	188,836,576
Fixed assets	(15)	13,307,973,451	14,040,859,577
Construction in progress	(16)	2,373,326,709	2,097,812,840
Right-of-use assets	(17)	633,223,485	–
Intangible assets	(18)	2,008,300,978	2,069,854,074
Goodwill		25,373,323	25,373,323
Long-term prepaid expenses		26,232,418	26,894,955
Deferred tax assets	(20)	886,057,287	908,858,376
Other non-current assets	(21)	313,134,006	341,128,768
Total non-current assets		<u>31,386,475,859</u>	<u>30,399,536,350</u>
TOTAL ASSETS		<u>52,660,127,184</u>	<u>48,765,782,933</u>

Notes: In this interim report, “–” represents zero, and “—” represents N/A.

CONSOLIDATED BALANCE SHEET

As at 30 June 2019

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

LIABILITIES AND SHAREHOLDERS' EQUITY	Note 4	30 June 2019 (Unaudited)	31 December 2018
Current liabilities			
Short-term borrowings	(22)	430,261,805	166,712,204
Notes payable	(23)	1,138,140,158	957,024,876
Accounts payable	(24)	1,498,344,618	1,581,607,319
Advances from customers	(25)	235,206,171	209,454,071
Contract liabilities	(26)	135,723,009	134,964,090
Employee benefits payable	(27)	208,776,337	251,347,940
Taxes payable	(28)	233,916,670	209,314,607
Other payables	(29)	9,235,199,744	5,954,949,541
	(30), (31),		
Current portion of non-current liabilities	(32), (33)	<u>131,428,518</u>	<u>3,595,928,706</u>
Total current liabilities		<u>13,246,997,030</u>	<u>13,061,303,354</u>
Non-current liabilities			
Long-term borrowings	(30)	147,796,507	160,792,988
Bonds payable	(31)	2,133,207,034	-
Lease liabilities	(32)	527,693,379	-
Long-term payables	(33)	45,090,384	530,779,311
Provisions		6,089,630	5,718,045
Deferred income	(34)	206,678,304	205,830,431
Long-term employee benefits payable	(35)	2,396,010,000	2,497,630,000
Other non-current liabilities	(36)	<u>2,781,544,120</u>	<u>2,884,204,561</u>
Total non-current liabilities		<u>8,244,109,358</u>	<u>6,284,955,336</u>
Total liabilities		<u>21,491,106,388</u>	<u>19,346,258,690</u>

CONSOLIDATED BALANCE SHEET

As at 30 June 2019

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

LIABILITIES AND SHAREHOLDERS' EQUITY	Note 4	30 June 2019 (Unaudited)	31 December 2018
Shareholders' equity			
Share capital	(37)	6,491,100,000	6,036,724,000
Capital surplus	(38)	12,314,665,757	10,777,968,793
Other comprehensive income	(39)	220,829,951	133,694,188
Specific reserve		7,449,377	3,399,949
Surplus reserve	(40)	986,974,314	986,974,314
General risk reserve	(41)	298,283,806	298,283,806
Undistributed profits	(42)	<u>8,285,964,758</u>	<u>8,742,614,209</u>
Total equity attributable to shareholders of the Company		28,605,267,963	26,979,659,259
Minority interests		<u>2,563,752,833</u>	<u>2,439,864,984</u>
Total Shareholders' equity		<u>31,169,020,796</u>	<u>29,419,524,243</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>52,660,127,184</u>	<u>48,765,782,933</u>

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

COMPANY BALANCE SHEET

As at 30 June 2019

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

ASSETS	Note 18	30 June 2019 (Unaudited)	31 December 2018
Current assets			
Cash at bank and on hand		9,847,171,619	8,444,554,600
Notes receivable	(1)	63,513,650	–
Accounts receivable	(2)	780,506,111	726,398,006
Financing receivables	(3)	327,875,798	357,958,050
Advances to suppliers		57,344,469	9,103,345
Other receivables	(4)	192,897,361	126,080,867
Inventories		131,261,525	98,846,642
Contract assets		268,662,296	124,030,811
Current portion of non-current assets		1,047,871,051	921,632,329
Other current assets		<u>11,279,726</u>	<u>19,905,966</u>
Total current assets		<u>12,728,383,606</u>	<u>10,828,510,616</u>
Non-current assets			
Long term receivables	(5)	1,537,992,194	1,901,808,894
Long-term equity investments	(6)	14,044,181,354	13,353,136,972
Other non-current financial assets		71,421,487	71,421,487
Investment properties	(7)	1,322,907,987	1,343,775,935
Fixed assets	(8)	7,886,813,558	8,125,917,130
Construction in progress	(9)	1,170,281,525	1,216,355,400
Right-of-use assets	(10)	101,982,565	–
Intangible assets	(11)	2,134,167,473	2,160,102,681
Long-term prepaid expenses		8,286,267	7,047,125
Deferred tax assets		24,740,614	37,483,036
Other non-current assets		<u>158,980,301</u>	<u>164,722,808</u>
Total non-current assets		<u>28,461,755,325</u>	<u>28,381,771,468</u>
TOTAL ASSETS		<u>41,190,138,931</u>	<u>39,210,282,084</u>

COMPANY BALANCE SHEET

As at 30 June 2019

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

LIABILITIES AND SHAREHOLDERS' EQUITY	30 June 2019	31 December 2018
	(Unaudited)	
Current liabilities		
Short-term borrowings	276,235,625	159,000,000
Notes payable	245,562,712	207,039,615
Accounts payable	526,389,914	578,764,979
Advances from customers	235,153,658	205,757,187
Contract liabilities	48,320,833	62,705,460
Employee benefits payable	161,797,080	192,317,443
Taxes payable	85,606,752	63,650,616
Other payables	2,852,847,288	543,085,697
Current portion of non-current liabilities	<u>26,011,164</u>	<u>3,525,843,957</u>
Total current liabilities	<u>4,457,925,026</u>	<u>5,538,164,954</u>
Non-current liabilities		
Bonds payable	2,133,207,034	—
Lease liabilities	89,907,610	—
Long-term payables	45,090,384	136,212,372
Provisions	6,089,630	5,718,045
Deferred income	140,107,675	136,336,251
Long-term employee benefits payable	2,074,430,000	2,162,150,000
Other non-current liabilities	<u>2,781,544,120</u>	<u>2,884,200,855</u>
Total non-current liabilities	<u>7,270,376,453</u>	<u>5,324,617,523</u>
Total liabilities	<u>11,728,301,479</u>	<u>10,862,782,477</u>
Shareholders' equity		
Share capital	6,491,100,000	6,036,724,000
Capital surplus	16,243,463,432	14,706,766,468
Other comprehensive income	219,420,000	137,710,000
Surplus reserve	986,974,314	986,974,314
Undistributed profits	<u>5,520,879,706</u>	<u>6,479,324,825</u>
Total shareholders' equity	<u>29,461,837,452</u>	<u>28,347,499,607</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>41,190,138,931</u>	<u>39,210,282,084</u>

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2019

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

Item	Note 4	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
1. Revenue	(43)	5,999,781,980	5,738,868,397
Less: Cost of sales	(43), (47)	(3,920,720,639)	(3,770,729,947)
Taxes and surcharges	(44)	(52,318,155)	(59,979,125)
Selling and distribution expenses	(47)	(9,615,312)	(7,589,870)
General and administrative expenses	(45), (47)	(261,801,061)	(200,309,619)
Research and development expenses	(18), (47)	(12,997,414)	(12,355,469)
Financial expenses – net	(46)	106,079,532	87,104,313
Including: Interest expenses		116,003,926	109,389,222
Interest income		260,939,156	233,945,178
Add: Other income	(48)	77,625,287	15,444,222
Investment income	(49)	774,803,928	748,034,610
Including: Investment income from associates and joint ventures		714,286,642	661,265,215
Gains on changes in fair value		2,663,358	1,659,606
Credit impairment losses	(19), (50)	(21,219,798)	23,681,751
Gains on disposal of assets		(1,213,416)	28,646,478
2. Operating profit		2,681,068,290	2,592,475,347
Add: Non-operating income	(51)	10,739,883	9,691,014
Less: Non-operating expenses		(2,487,948)	(19,628,923)
3. Total profit		2,689,320,225	2,582,537,438
Less: Income tax expenses	(52)	(511,333,963)	(522,653,882)
4. Net profit		2,177,986,262	2,059,883,556
Classified by continuity of operations			
Net profit from continuing operations		2,177,986,262	2,059,883,556
Net profit from discontinued operations		–	–
Classified by ownership of the equity			
Minority interests		169,965,043	151,960,747
Attributable to shareholders of the Company		2,008,021,219	1,907,922,809

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2019

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

Item	Note 4	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
5. Other comprehensive income, net of tax	(39)	84,282,631	(137,276,983)
Attributable to shareholders of the Company, net of tax			
Other comprehensive income items which will not be subsequently reclassified to profit or loss			
Changes in remeasurement of defined benefit plan obligations		93,986,921	(145,434,629)
Other comprehensive income items which will be subsequently reclassified to profit or loss			
Changes in fair value of other debt investments		(6,851,158)	5,966,112
Attributable to minority shareholders, net of tax		(2,853,132)	2,191,534
6. Total comprehensive income		<u>2,262,268,893</u>	<u>1,922,606,573</u>
Attributable to shareholders of the Company		2,095,156,982	1,768,454,292
Attributable to minority interests		167,111,911	154,152,281
7. Earnings per share			
Basic earnings per share	(53)(a)	0.31	0.32
Diluted earnings per share	(53)(b)	0.31	0.32

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

COMPANY INCOME STATEMENT

For the six months ended 30 June 2019

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

Item	Note 18	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
1. Revenue	(12)	2,828,636,813	2,820,179,749
Less: Cost of sales	(12), (13)	(1,901,535,915)	(1,993,476,752)
Taxes and surcharges		(41,061,549)	(40,782,292)
Selling and distribution expenses	(13)	(9,015,973)	(7,589,870)
General and administrative expenses	(13)	(148,692,301)	(122,863,732)
Research and development expenses	(13)	(8,084,523)	(4,655,076)
Financial expenses – net		59,104,907	(70,502,948)
Including: Interest expenses		61,755,458	58,362,091
Interest income		158,856,497	23,125,510
Add: Other income		5,666,208	1,957,221
Investment income	(14)	960,811,658	1,530,367,575
Including: Investment income from associates and joint ventures		719,546,750	661,471,860
Credit impairment losses		(16,888,029)	44,931,693
Gains on disposal of assets		(1,051,872)	2,914,688
2. Operating profit		1,727,889,424	2,160,480,256
Add: Non-operating income		7,404,199	8,973,639
Less: Non-operating expenses		(158,725)	(19,505,600)
3. Total profit		1,735,134,898	2,149,948,295
Less: Income tax expenses		(228,909,347)	(200,983,929)
4. Net profit		1,506,225,551	1,948,964,366
Classified by continuity of operations			
Net profit from continuing operations		1,506,225,551	1,948,964,366
Net profit from discontinued operations		–	–
5. Other comprehensive income, net of tax		81,710,000	(133,870,000)
Other comprehensive income items that will not be subsequently reclassified to profit or loss			
Changes in remeasurement of defined benefit plan obligations		81,710,000	(133,870,000)
6. Total comprehensive income		1,587,935,551	1,815,094,366

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2019

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

Item	Note 4	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
1. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		5,396,460,399	5,329,692,513
Cash received relating to other operating activities	(54)(a)	<u>389,652,247</u>	<u>320,260,649</u>
Sub-total of cash inflows		<u>5,786,112,646</u>	<u>5,649,953,162</u>
Cash paid for goods and services		(2,747,201,583)	(2,728,258,004)
Cash paid to and on behalf of employees		(1,086,161,317)	(960,368,036)
Payments of taxes and surcharges		(603,997,147)	(709,378,312)
Cash paid relating to other operating activities	(54)(b)	<u>(381,695,975)</u>	<u>(74,693,765)</u>
Sub-total of cash outflows		<u>(4,819,056,022)</u>	<u>(4,472,698,117)</u>
Net cash flows from operating activities	(55)(a)	<u>967,056,624</u>	<u>1,177,255,045</u>
2. Cash flows from investing activities			
Cash received from disposal of investments		5,101,743,039	7,517,480,330
Cash received from returns on investments		246,611,005	389,275,660
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,946,709	348,991,771
Cash received relating to other investing activities	(54)(c)	<u>2,343,788,068</u>	<u>4,972,848,751</u>
Sub-total of cash inflows		<u>7,694,088,821</u>	<u>13,228,596,512</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(490,475,018)	(1,667,436,756)
Cash paid to acquire investments		(4,282,441,879)	(8,297,041,318)
Cash paid to acquire subsidiaries		-	(23,035,440)
Cash paid relating to other investing activities	(54)(d)	<u>(1,785,786,284)</u>	<u>(3,099,991,324)</u>
Sub-total of cash outflows		<u>(6,558,703,181)</u>	<u>(13,087,504,838)</u>
Net cash flows from investing activities		<u>1,135,385,640</u>	<u>141,091,674</u>

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2019

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

Item	Note 4	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
3. Cash flows from financing activities			
Cash received from capital contributions		1,984,929,768	323,640,000
Including: Cash received from capital contributions by minority shareholders of subsidiaries		6,000,000	323,640,000
Cash received from borrowings		609,281,406	533,094,924
Cash received relating to other financing activities	(54)(e)	<u>645,362,843</u>	–
Sub-total of cash inflows		<u>3,239,574,017</u>	<u>856,734,924</u>
Cash repayments of borrowings		(1,741,581,767)	(542,480,219)
Cash payments for distribution of dividends, profits or interest expenses		(237,438,107)	(183,763,478)
Including: Cash payments for distribution of profit to minority shareholders of subsidiaries		(49,470,140)	(35,408,649)
Cash paid relating to other financing activities	(54)(f)	<u>(69,295,803)</u>	<u>(3,424,973,370)</u>
Sub-total of cash outflows		<u>(2,048,315,677)</u>	<u>(4,151,217,067)</u>
Net cash flows from financing activities		<u>1,191,258,340</u>	<u>(3,294,482,143)</u>
4. Effect of foreign exchange rate changes on cash		<u>2,304,699</u>	<u>14,427,838</u>
5. Net increase/(decrease) in cash	(55)(d)	<u>3,296,005,303</u>	(1,961,707,586)
Add: Cash at the beginning of the period		<u>4,014,278,650</u>	<u>6,362,939,502</u>
6. Cash at the end of the period	(55)(e)	<u>7,310,283,953</u>	<u>4,401,231,916</u>

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

COMPANY CASH FLOW STATEMENT

For the six months ended 30 June 2019

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

Item	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
1. Cash flows from operating activities		
Cash received from sales of goods or rendering of services	1,976,453,982	1,994,430,290
Cash received relating to other operating activities	<u>291,172,837</u>	<u>231,349,215</u>
Sub-total of cash inflows	<u>2,267,626,819</u>	<u>2,225,779,505</u>
Cash paid for goods and services	(853,562,591)	(615,585,900)
Cash paid to and on behalf of employees	(685,607,425)	(663,196,461)
Payments of taxes and surcharges	(276,954,641)	(331,220,705)
Cash paid relating to other operating activities	<u>(37,111,272)</u>	<u>(20,965,757)</u>
Sub-total of cash outflows	<u>(1,853,235,929)</u>	<u>(1,630,968,823)</u>
Net cash flows from operating activities	<u>414,390,890</u>	<u>594,810,682</u>
2. Cash flows from investing activities		
Cash received from disposal of investments	839,516	2,286,242,923
Cash received from returns on investments	302,928,211	687,733,619
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	196,599	229,117,198
Net cash received from disposal of subsidiaries and other business units	5,990,993	-
Cash received relating to other investing activities	<u>503,377,700</u>	<u>2,637,308,911</u>
Sub-total of cash inflows	<u>813,333,019</u>	<u>5,840,402,651</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(188,033,548)	(872,444,810)
Cash paid to acquire investments	(1,324,664,839)	(4,288,221,491)
Cash paid relating to other investing activities	<u>(175,000,000)</u>	<u>(1,922,100,000)</u>
Sub-total of cash outflows	<u>(1,687,698,387)</u>	<u>(7,082,766,301)</u>
Net cash flows from investing activities	<u>(874,365,368)</u>	<u>(1,242,363,650)</u>

COMPANY CASH FLOW STATEMENT

For the six months ended 30 June 2019

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

Item	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
3. Cash flows from financing activities		
Cash received from capital contributions	1,978,929,768	–
Cash received from borrowings	<u>186,000,000</u>	<u>52,000,000</u>
Sub-total of cash inflows	<u>2,164,929,768</u>	<u>52,000,000</u>
Cash repayments of borrowings	(1,452,100,000)	(265,000,000)
Cash payments for distribution of dividends, profits or interest expenses	(151,089,039)	(108,606,759)
Cash paid relating to other financing activities	<u>(22,514,007)</u>	<u>(3,450,546)</u>
Sub-total of cash outflows	<u>(1,625,703,046)</u>	<u>(377,057,305)</u>
Net cash flows from financing activities	<u>539,226,722</u>	<u>(325,057,305)</u>
4. Effect of foreign exchange rate changes on cash	<u>(260,109)</u>	<u>11,484,708</u>
5. Net increase/(decrease) in cash	78,992,135	(961,125,565)
Add: Cash at the beginning of the period	<u>6,819,212,991</u>	<u>4,285,781,741</u>
6. Cash at the end of the period	<u><u>6,898,205,126</u></u>	<u><u>3,324,656,176</u></u>

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended 30 June 2019
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	Note 4	Attributable to shareholders of the Company							Total shareholders' equity	
		Share capital	Capital surplus	Other comprehensive income	Surplus reserve	General risk reserve	Undistributed profits	Specific reserve		Minority interests
Balance at 31 December 2017		6,036,724,000	10,770,800,519	283,865,500	673,990,310	226,359,871	5,534,036,517	11,946,732	1,507,993,619	25,045,717,068
Movements for the six months ended 30 June 2018 (Unaudited)										
Total comprehensive income										
Net profit		-	-	-	-	-	1,907,922,809	-	151,960,747	2,059,883,556
Other comprehensive income	(39)	-	-	(139,468,517)	-	-	-	-	2,191,534	(137,276,983)
Total comprehensive income for the period		-	-	(139,468,517)	-	-	1,907,922,809	-	154,152,281	1,922,606,573
Capital contribution and withdrawal by shareholders										
Capital contribution by minority shareholders in subsidiaries		-	-	-	-	-	-	-	323,640,000	323,640,000
Profit distribution										
Profit distribution to shareholders	(42)	-	-	-	-	-	-	-	(76,996,563)	(76,996,563)
Specific reserve										
Appropriation to safety fund		-	-	-	-	-	-	18,127,827	1,226,615	19,354,442
Utilization of safety fund		-	-	-	-	-	-	(13,009,197)	(75,018)	(13,084,215)
Recognition of other changes in equity of associates and joint ventures	(38)	-	8,894,768	-	-	-	-	-	-	8,894,768
Balance at 30 June 2018 (Unaudited)		6,036,724,000	10,779,695,287	144,396,983	673,990,310	226,359,871	7,441,959,326	17,065,362	1,909,940,934	27,230,132,073

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended 30 June 2019

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

Item	Note 4	Attributable to shareholders of the Company							Total shareholders' equity	
		Share capital	Capital surplus	Other comprehensive income	Surplus reserve	General risk reserve	Undistributed profits	Specific reserve		Minority interests
Balance at 31 December 2018		6,036,724,000	10,777,968,793	133,694,188	986,974,314	298,283,806	8,742,614,209	3,399,949	2,439,864,984	29,419,524,243
Movements for the six months ended 30 June 2019 (Unaudited)										
Total comprehensive income										
Net profit		-	-	-	-	-	2,008,021,219	-	169,965,043	2,177,986,262
Other comprehensive income	(39)	-	-	87,135,763	-	-	-	-	(2,853,132)	84,282,631
Total comprehensive income for the period		-	-	87,135,763	-	-	2,008,021,219	-	167,111,911	2,262,268,893
Capital contribution and withdrawal by shareholders										
Ordinary shares held by shareholders		454,376,000	1,524,553,768	-	-	-	-	-	-	1,978,929,768
Capital contribution by minority shareholders in subsidiaries		-	-	-	-	-	-	-	6,000,000	6,000,000
Profit distribution										
Appropriation to surplus reserve	(40)	-	-	-	-	-	-	-	-	-
Appropriation to general risk reserve	(41)	-	-	-	-	-	-	-	-	-
Profit distribution to shareholders	(42)	-	-	-	-	-	(2,464,670,670)	-	(49,470,140)	(2,514,140,810)
Specific reserve										
Appropriation to safety fund		-	-	-	-	-	-	26,787,817	4,243,938	31,031,755
Utilization of safety fund		-	-	-	-	-	-	(22,738,389)	(3,997,860)	(26,736,249)
Recognition of other changes in other reserves of associates and joint ventures	(38)	-	12,143,196	-	-	-	-	-	-	12,143,196
Balance at 30 June 2019 (Unaudited)		<u>6,491,100,000</u>	<u>12,314,665,757</u>	<u>220,829,951</u>	<u>986,974,314</u>	<u>298,283,806</u>	<u>8,285,964,758</u>	<u>7,449,377</u>	<u>2,563,752,833</u>	<u>31,169,020,796</u>

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended 30 June 2019

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

Item	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits	Specific reserve	Total equity
Balance at 31 December 2017	6,036,724,000	14,699,598,194	270,820,000	673,990,310	3,662,468,791	7,977,788	25,351,579,083
Movements for the six months ended 30 June 2018 (Unaudited)							
Total comprehensive income							
Net profit	-	-	-	-	1,948,964,366	-	1,948,964,366
Other comprehensive income	-	-	(133,870,000)	-	-	-	(133,870,000)
Total comprehensive income for the period	-	-	(133,870,000)	-	1,948,964,366	-	1,815,094,366
Profit distribution							
Appropriation to surplus reserve	-	-	-	-	-	-	-
Specific reserve							
Appropriation to safety fund	-	-	-	-	-	16,128,925	16,128,925
Utilization of safety fund	-	-	-	-	-	(12,735,201)	(12,735,201)
Recognition of other changes in equity of associates and joint ventures	-	8,894,768	-	-	-	-	8,894,768
Balance at 30 June 2018 (Unaudited)	6,036,724,000	14,708,492,962	136,950,000	673,990,310	5,611,433,157	11,371,512	27,178,961,941

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended 30 June 2019

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

Item	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits	Specific reserve	Total equity
Balance at 31 December 2018	<u>6,036,724,000</u>	<u>14,706,766,468</u>	<u>137,710,000</u>	<u>986,974,314</u>	<u>6,479,324,825</u>	-	<u>28,347,499,607</u>
Movements for the six months ended 30 June 2019 (Unaudited)							
Total comprehensive income							
Net profit	-	-	-	-	1,506,225,551	-	1,506,225,551
Other comprehensive income	-	-	81,710,000	-	-	-	81,710,000
Total comprehensive income for the period	-	-	81,710,000	-	1,506,225,551	-	1,587,935,551
Ordinary shares held by shareholders	454,376,000	1,524,553,768	-	-	-	-	1,978,929,768
Profit distribution							
Profit distribution to shareholders	-	-	-	-	(2,464,670,670)	-	(2,464,670,670)
Appropriation to surplus reserve	-	-	-	-	-	-	-
Specific reserve							
Appropriation to safety fund	-	-	-	-	-	16,640,834	16,640,834
Utilization of safety fund	-	-	-	-	-	(16,640,834)	(16,640,834)
Recognition of other changes in other reserves of associates and joint ventures	-	12,143,196	-	-	-	-	12,143,196
Balance at 30 June 2019 (Unaudited)	<u>6,491,100,000</u>	<u>16,243,463,432</u>	<u>219,420,000</u>	<u>986,974,314</u>	<u>5,520,879,706</u>	-	<u>29,461,837,452</u>

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

1 GENERAL INFORMATION

Qingdao Port International Co., Ltd. (“the Company”) is a joint stock limited company incorporated in Qingdao City of Shandong Province of the People’s Republic of China (“the PRC”) on 15 November 2013 (the Company’s “Date of Incorporation”) by Qingdao Port (Group) Co., Ltd. (“Qingdao Port Group”) as the Leading Promoter together with “Other Promoters” including Shenzhen Malai Storage Co., Ltd. (“Malai Storage”), Qingdao Ocean Shipping Co., Ltd. (“Qingdao Ocean”)(now renamed as COSCO Shipping (Qingdao) Co., Ltd.), China Shipping Terminal Development Co., Ltd. (“China Shipping Terminal Development”), Everbright Holdings (Qingdao) Financial Leasing Co., Ltd. (Everbright Holdings Qingdao) and Qingdao International Investment Co., Ltd. (“Qingdao International Investment”), with its registered address at No. 12 Jingba Road, Huangdao District, Qingdao, PRC. As at 30 June 2019, the parent company and the ultimate parent company of the Company are Qingdao Port Group.

Pursuant to Qingdao State-Owned Assets Supervision & Administration Commission’s (“Qingdao SASAC”) Official Reply on Approval of Establishment of Limited Liability Company and Listing of H-Shares By Qingdao Port (Group) Co., Ltd. (Qing Guo Zi Gui [2013] No. 29) and restructuring plan, Qingdao Port Group restructures and establishes a limited liability company. The total share capital of the Company at incorporation is 4,000,000,000 shares (par value at RMB1). The total capital contributions subscribed by the initiators and the share capital converted are as follows (Amounts in ten thousand Yuan):

Name of promoter	Form of contribution	Amount of contribution	Share capital	Capital surplus	Shareholding
Qingdao Port Group	Asset and liability	1,065,228	360,000	705,228	90.0%
Malai Storage	Cash at bank and on hand	33,141	11,200	21,941	2.8%
Qingdao Ocean	Cash at bank and on hand	28,406	9,600	18,806	2.4%
China Shipping Terminal	Cash at bank and on hand	28,406	9,600	18,806	2.4%
Everbright Holdings Qingdao	Cash at bank and on hand	14,203	4,800	9,403	1.2%
Qingdao International Investment	Cash at bank and on hand	14,203	4,800	9,403	1.2%
Total		<u>1,183,587</u>	<u>400,000</u>	<u>783,587</u>	<u>100.0%</u>

Pursuant to the proposal raised at the Board of Directors and approval by the Shareholders’ Meeting, the Company issued 705,800,000 foreign-listed H-shares overseas at its Initial Public Offering on 6 June 2014 according to the Official Reply on Approval of Overseas Issuance of Foreign Shares by Qingdao Port International Co., Ltd. (No. 434 Circular of China Securities Regulatory Commission). The issuing price per share is HKD3.76 (approximately RMB2.98). The amount of raised capital less capitalized listing expenses was RMB1,995,921,171, including share capital of RMB705,800,000 (705,800,000 shares, par value at RMB1) and capital surplus of RMB1,290,121,171.

The Company exercised over-allotment option on 2 July 2014 and issued additional 72,404,000 foreign-listed H shares overseas. The issuing price per share was HKD3.76 (approximately RMB2.99). The amount raised in over-allotment was RMB216,167,727, including share capital of RMB72,404,000 (72,404,000 shares, par value at RMB1) and capital surplus of RMB143,763,727.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

1 GENERAL INFORMATION (Continued)

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

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

The Company made private placement of 1,015,520,000 Domestic Shares to Shanghai China Shipping Terminal Development Co., Ltd. on 22 May 2017 at a subscription price of RMB5.71 per share. After the completion of the private placement of the Domestic Shares, the number of total issued shares of the Company increased to 6,036,724,000 shares.

On 21 January 2019, the Company completed the initial public offering of 454,376,000 ordinary shares (A shares) and was listed on the main board of Shanghai Stock Exchange with a par value of RMB1.00 per share at the issuing price of RMB4.61 per share. After the completion of the issuance of A shares, the number of total issued shares of the Company increased to 6,491,100,000 shares.

As at 30 June 2019, the total share capital of the Company is 6,491,100,000 shares with par value at RMB1.00, including 5,392,075,000 A-shares and 1,099,025,000 H-shares, accounting for 83.07% and 16.93% respectively of the total share capital of the Company. Qingdao Port Group holds 54.47% shares of the Company in total.

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

For the major subsidiaries included in the scope of consolidation during the reporting period, please refer to Note 6. There were not any subsidiaries newly included in the scope of consolidation for the reporting period. Subsidiary that is excluded from consolidation for the reporting period includes that already disposed (Note 5(1)).

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

This interim financial statements have not been audited.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

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

(1) Preparation basis of financial statements

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

The financial statements are prepared on a going concern basis.

Certain disclosures in the financial statements have been adjusted in accordance with requirements in Hong Kong Companies Ordinance.

(a) Preparation basis of consolidated financial statements

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

The financial statements of the Company for the six months ended 30 June 2019 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the Consolidated and the Company's financial position as at 30 June 2019 and their financial performance, cash flows and other information for the year then ended.

(3) Accounting year

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

(4) Recording currency

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

(5) Business combination

(a) Business combination involving enterprises under common control

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

(b) Business combination involving enterprises not under common control

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(6) Preparation of consolidated financial statements

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(7) Cash and cash equivalents

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

(8) Foreign currency translation

(a) Foreign currency transaction

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

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

(b) Translation of foreign currency financial statements

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(9) Financial instruments

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

(a) Financial assets

(i) Classification of financial assets

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

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

Debt instruments

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

Measured at amortized cost:

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(i) Classification of financial assets (Continued)

Measured at fair value through other comprehensive income:

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

Measured at fair value through current profit or loss:

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

Equity instruments

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(ii) Impairment

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

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

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

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

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

For notes receivable, accounts receivable, financing receivables and contract assets caused by selling products, providing services and other daily operating activities, no matter whether there is a significant financing component, the Group measures loss provision based on lifetime ECL (Note 2(10)).

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(iii) Derecognition

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

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

(b) Financial liabilities

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

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

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

(c) Determination of fair value of financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(10) Receivables and contract assets

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

The Group recognizes the loss provision based on the ECL, and the duration of the receivables and contract assets based on the amount of lifetime ECL no matter whether there is a significant financing component.

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(10) Receivables and contract assets (Continued)

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

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

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

The ageing of accounts receivable and contract assets and the lifetime ECL rate are as follows:

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(11) Inventories

(a) Classification

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

(b) Costing of inventories when issued

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

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

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

(d) The Group adopts the perpetual inventory system.

(12) Long-term equity investments

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(12) Long-term equity investments (Continued)

(a) Determination of investment cost

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(12) Long-term equity investments (Continued)

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

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

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

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

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

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

(d) Impairment of long-term equity investments

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

(13) Investment properties

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(13) Investment properties (Continued)

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

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

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

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

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

(14) Fixed assets

(a) Recognition and initial measurement of fixed assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(14) Fixed assets (Continued)

(b) Depreciation methods of fixed assets

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

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

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

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

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

(d) Disposal of fixed assets

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(15) Construction in progress

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

(16) Borrowing costs

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(17) Intangible assets

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

(a) Land use rights

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

(b) Sea area use rights

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

(c) Computer software

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

(d) Periodical review of useful life and amortization method

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

(e) Research and development

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(17) Intangible assets (Continued)

(e) Research and development (Continued)

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

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

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

(f) Impairment of intangible assets

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(18) Long-term prepaid expenses

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

(19) Impairment of long-term assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(20) Employee benefits

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

(a) Short-term employee benefits

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

(b) Post-employment benefits

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

Basic pensions

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

Corporate annuity

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(20) Employee benefits (Continued)

(b) Post-employment benefits (Continued)

Supplemental retirement benefits

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

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

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

(c) Termination benefits

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(20) Employee benefits (Continued)

(c) Termination benefits (Continued)

Early retirement benefits

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

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

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

(21) Dividend distribution

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

(22) Provisions

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

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

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

The financial guarantee contract loss provision recognised by the Group on the basis of expected credit losses is recognised as an estimated liability.

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(23) Revenue recognition

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(23) Revenue recognition (Continued)

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

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

(24) Government grants

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

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

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

Government grants related to assets are recorded as deferred income and recognised in profit or loss on a systemic basis over the useful lives of the assets.

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

The Group uses the same presentation method for similar government grants.

Government grants that are related to ordinary activities are included in operating profit, otherwise, they are recorded in non-operating income or expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(25) Deferred tax assets and deferred tax liabilities

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

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

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

Deferred tax assets and liabilities are offset when:

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(26) Leases

Lease refers to a contract in which the lessor transfers the use right of the assets to the lessee in a certain period of time to obtain the consideration.

The Group as a lessee

The Group recognises right-of-use assets on the beginning date of the lease period and lease liabilities based on the present value of the unpaid amount of lease payment. Lease payments include fixed payment and the amount to be paid based on reasonable assurance that the purchase option will be exercised or the lease option will be terminated. The flexible rental determined based on a certain proportion of the sales amount is not included in the lease payment and is recognised in profit or loss for the current period when actually incurred. Lease liabilities that are to be paid within one year (inclusive) since the balance sheet date are included in the current portion of non-current liabilities.

The Group's right-of-use assets comprise of port facilities, storage facilities, loading equipment and vessels, etc. Right-of-use assets are initially measured at cost which includes the initially measured amount of lease liabilities, the lease payment on or before the beginning date of the lease period and initial direct costs, deducting the lease incentives already received. If the Group can reasonably assure to obtain the ownership of lease assets when the lease period is due, depreciation is charged over the residual useful life of lease assets. Otherwise, depreciation is charged over the shorter of the lease period and the residual useful life of lease assets. The carrying amounts of right-of-use assets are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are not recognised in right-of-use assets and lease liabilities by the Group. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. And the related rental expense are either recognised over the period of the lease in current profit or loss or capitalised as part of the cost of related assets on a straight-line basis.

The Group as the lessor:

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

(a) Operating leases

When the Group leases out self-owned port facilities, storage facilities, buildings and etc., the rental income from the operating lease is recognised on the straight-line basis over the lease period.

(b) Finance leases

As at the beginning date of the lease period, the Group recognises finance lease receivables for finance leases and derecognises related assets. Finance lease receivables are included in long-term receivables and finance lease receivables that are to be received within one year (inclusive) since the balance sheet date are included in the current portion of non-current assets.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(27) Held for sale and discontinued operations

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

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

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

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

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

(28) Custodian business

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

(29) Segment information

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(30) Significant changes in accounting policies

The Ministry of Finance released the revised *China Accounting Standards 21 – Lease* (hereinafter “New Lease Standards”) in 2018 and released the *Circular of the Ministry of Finance on Revising and Issuing the Formats of Corporate Financial Statements for 2019* (Cai Kuai [2019] No. 6) in 2019. The financial statements for the six months ended 30 June 2019 are prepared in accordance with the above standards and circular, and the impacts are as follows:

(a) Format of financial statements

(i) Impacts for the consolidated financial statements and income statements are as follows:

The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected	
		31 December 2018	1 January 2018
The Group reclassifies ‘notes receivable at fair value through other comprehensive income’ from ‘notes receivable and accounts receivables’ to ‘financing receivable’.	Financing receivables	670,396,485	500,421,414
	Notes receivable and accounts receivable	(670,396,485)	(500,421,414)
The Group splited ‘notes receivable and accounts receivable’ into two separate accounts, ‘accounts receivable’ and ‘notes receivable’.	Accounts receivable	2,068,535,326	1,873,364,887
	Notes receivable	65,198,592	91,389,566
	Notes receivable and accounts receivable	(2,133,733,918)	(1,964,754,453)
The Group splited ‘notes payable and accounts payable’ into two separate accounts, ‘accounts payable’ and ‘notes payable’.	Accounts payable	1,581,607,319	1,517,605,961
	Notes payable	957,024,876	882,183,561
	Notes payable and accounts payable	(2,538,632,195)	(2,399,789,522)

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(30) Significant changes in accounting policies (Continued)

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

(ii) Impacts for the Company's financial statements are as follows:

The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected	
		31 December 2018	1 January 2018
The Company reclassifies 'notes receivable at fair value through other comprehensive income' from 'notes and accounts receivables' to 'financing receivables'.	Financing receivables Notes receivable and accounts receivable	357,958,050 (357,958,050)	182,824,549 (182,824,549)
The Company split 'notes receivable and accounts receivable' into two separate accounts, 'accounts receivable' and 'notes receivable'.	Accounts receivable Notes receivable Notes receivable and accounts receivable	726,398,006 (726,398,006)	956,905,662 24,610,000 (981,515,662)
The Company split 'notes payable and accounts payable' into two separate accounts, 'accounts payable' and 'notes payable'.	Accounts payable Notes payable Notes payable and accounts payable	578,764,979 207,039,615 (785,804,594)	561,731,007 225,818,064 (787,549,071)

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(30) Significant changes in accounting policies (Continued)

(b) Lease

According to the New Lease Standards, the Group and the Company recognised the cumulative effect of initial adoption of the standard as adjustment to the related items in the financial statements as at 1 January 2019. The comparatives for 2018 were not restated.

(i) *The nature and the reasons of the changes in accounting policies*

For the operating lease contracts that have already existed prior to the initial implementation of New Lease Standards, the Group and the Company distinguish different transitional methods based on the remaining lease term:

	The line items affected	1 January 2019	
		The Group	The Company
If the remaining lease term is more than 1 year, the Group and the Company recognise lease liabilities based on the remaining lease payments and the incremental borrowing rate as at 1 January 2019, and determine the carrying amount of the right-of-use assets based on the lease liabilities.	Right-of-use assets	111,072,577	–
	Lease liabilities	81,092,129	–
	The current portion of long-term liabilities	29,980,448	–

If the remaining lease term is less than 1 year, the Group and the Company adopt a simplified method and do not recognise right-of-use assets and lease liabilities, which has no significant impact on the financial statements.

For the operating leases of low-value assets contracts that have already existed prior to the initial implementation of the New Lease Standards, the Group and the Company adopt a simplified method and do not recognise right-of-use assets and lease liabilities, which has no significant impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(30) Significant changes in accounting policies (Continued)

(b) Lease (Continued)

(i) The nature and the reasons of the changes in accounting policies (Continued)

	The line items affected	1 January 2019	
		The Group	The Company
Due to the implementation of the New Lease Standards, the Group and the Company reclassify fixed assets held under finance leases originally recognised in fixed assets to right-of-use assets, and reclassify payables for finance lease originally recognised in long-term payables to lease liabilities.	Right-of-use assets	548,731,094	99,283,159
	Fixed assets	(492,137,464)	(99,283,159)
	Construction in progress	(56,593,630)	–
	Long-term payables	(488,716,378)	(94,202,439)
	Lease liabilities	488,716,378	94,202,439
	Current portion of non-current liabilities		
	– long-term payables	(68,548,706)	(25,843,958)
	Current portion of non-current liabilities		
– lease liabilities	68,548,706	25,843,958	

As at 1 January 2019, when measuring lease liabilities, the Group and the Company adopted the same discount rate for lease contracts with similar characteristics, and the weighted average of incremental borrowing rates adopted was 4.75%.

(ii) As at 1 January 2019, the adjustment from the unpaid minimum operating lease payments disclosed under the original lease standards to the lease liabilities recognised under the New Lease Standards is as follows:

	The Group	The Company
Operating lease commitments for minimum lease payments disclosed as at 31 December 2018	122,029,345	–
Discounted using the lessee's incremental borrowing rate of at the date of initial application	111,072,577	–
Add: Financial lease liabilities on 31 December 2018	<u>557,265,084</u>	<u>120,046,397</u>
Lease liabilities recognised as at 1 January 2019 (Including Current portion of non-current liabilities) (Note 2 (30) (b) (i))	<u>668,337,661</u>	<u>120,046,397</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(31) Critical accounting estimates and judgements

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

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

(a) Critical accounting estimates and assumption

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

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

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

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

(iii) *Actuarial calculation of early retirement and supplemental retirement benefits*

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(31) Critical accounting estimates and judgements (Continued)

(a) Critical accounting estimates and assumption (Continued)

(iv) Measurement of ECL

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

(b) Critical judgements in applying the accounting policies

(i) Classification of financial assets

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

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

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

(ii) Judgement on significant increase in credit risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

3 TAXATION

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

Category	Tax base	Tax rate
Enterprise income tax (a)	Taxable income	15%, 20% and 25%
Value-added tax ("VAT") (b)	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible input VAT of the current period)	6%, 9% and 10%, 11%, 13% and 16%
	Taxable revenue amount	3% and 5%
Land use tax	Actual size of the land occupied	RMB3.2-11.2 per square meter per year
City maintenance and construction tax	The payment amount of VAT	7%
Educational surcharge	The payment amount of VAT	3%

(a) Enterprise income tax

Pursuant to the 'Circular on Enterprise Income Tax Policy concerning Deductions for Equipment and Appliances' (Cai Shui [2018] 54) issued by the State Administration of Taxation, during the period from 1 January 2018 to 31 December 2020, the cost of newly purchased equipment with the original cost less than RMB5 million can be fully deducted against taxable profit in the next month after the asset is put into use, instead of being depreciated annually for tax filing.

(b) VAT

The Company and certain subsidiaries engage in sales of fuel, electromechanical equipment, concrete, electricity, water, etc. and merchandise trade, and also provide services like transportation, stevedoring, port management, tugboat and ocean shipping tallying and leasing of tangible movable properties, etc. The above mentioned businesses are subject to VAT, before 1 April 2019, tax rate for sales of fuel, electromechanical equipment and electricity, merchandise trade as well as leasing of tangible movable properties is 16%; tax rate for sales of concrete, services like stevedoring, port management, tugboat, ocean shipping tallying, provision of loans and other services is 6%; tax rate for transport service, income from construction and installation project, transfer of properties like dock, storage yard and land use right and leasing of property is 10%; transfer or leasing of properties obtained before 30 April 2016 are subject to VAT levied at a rate of 5% by simple approach; tax for revenue from providing construction services of the old projects that started before 30 April 2016 and armor projects can be calculated by the simple tax calculation method and the tax rate is 3%; income from transfer of movable properties such as stevedoring equipment and machinery equipment for which, VAT input was not offset before 31 December 2008, is subject to VAT at a tax rate of 3% but is actually levied at the preferential tax rate of 2%.

Pursuant to the 'Circular on Adjustment of Tax Rate of Value Added Tax' (Cai Shui [2019] 39) jointly issued by the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation, the applicable business VAT rate was adjusted from 16% to 13% and from 10% to 9% since 1 April 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

3 TAXATION (Continued)

(2) Tax incentives

(a) Enterprise income tax

In 2016, the Company's subsidiary Qingdao Port Technology Co., Ltd. ("Technology Company") obtained the Certificate of High-tech Enterprises (Certificate No. GR201637100265) jointly issued by Qingdao Municipal Science and Technology Bureau, Qingdao Municipal Finance Bureau, Provincial Office (Qingdao) and Qingdao Local Taxation Bureau. The certificate is valid for 3 years. As of 31 December 2018, the technology company's high-tech enterprise qualification expired. According to the first article of the "Announcement of the State Administration of Taxation on the Implementation of the High-Tech Enterprise Income Tax Preferential Policies": In the year when the enterprise's high-tech enterprise qualification expires, its enterprise income tax is temporarily prepaid at a rate of 15% before it is re-certified. The income tax rate applicable temporarily to Technology Company for the six months ended 30 June 2019 was 15%.

In accordance with Cai Shui [2008] No. 116 and Cai Shui [2008] No. 46, Datang Port Co., Ltd. ("Datang Port"), a subsidiary of the Company, applied for public infrastructure projects and obtained the Notice of Tax Matters approved by Huangdao Branch of Qingdao Local Taxation Bureau. And it will enjoy a three-year exemption from enterprise income tax since 2016, the first year of obtaining operating income related to the port, followed by three years of 50% tax reduction. For the six months ended 30 June 2019, Datang Port was qualified for 50% tax reduction.

In accordance with Cai Shui [2008] No. 116 and Cai Shui [2008] No. 46, Qingdao Port Dongjiakou Multi-purpose Terminal Co., Ltd. ("DMT"), a subsidiary of the Company, applied for public infrastructure projects and obtained Filing List of Enterprise Income Tax Related Matters approved by the State Taxation Administration of Jiaonan City, Shandong Province. And it will enjoy a three-year exemption from enterprise income tax since 2017, the first year of obtaining operating income related to the port, followed by three years of 50% tax reduction. For the six months ended 30 June 2019, DMT was qualified for tax exemption.

In accordance with Cai Shui [2008] No. 116 and Cai Shui [2008] No. 46, Qingdao Haiye Mercuria Logistics Co., Ltd. ("Mercuria Logistics"), a subsidiary of the Company, applied for public infrastructure projects and obtained the Filing List of Enterprise Income Tax Related Matters approved by the State Taxation Administration of Jiaonan City, Shandong Province. And it will enjoy a three-year exemption from enterprise income tax since the first year of obtaining operating income related to the port, followed by three years of 50% tax reduction. According to the above documents, Mercuria Logistics was subject to 50% tax reduction since 2017. Non-terminal related businesses such as stockpiling services are not eligible for income tax reductions. For the six months ended 30 June 2019, Mercuria Logistics was qualified for 50% tax reduction.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

3 TAXATION (Continued)

(2) Tax incentives (Continued)

(a) Enterprise income tax (Continued)

For the six months ended 30 June 2019, according to Cai Shui [2019] No.13, Qingdao Bonded Port Area Gangrong Storage Center Co., Ltd. (“Gangrong Storage”), Qingdao Ocean Shipping Repair Co., Ltd. (“Ocean Shipping Repair”), Qingdao Port Culture & Media Co., Ltd. (“Cultural & Media”), Qingdao Port Tongbao Shipping Co., Ltd. (“Tongbao Shipping”), Qingdao Port Engineering Design Institute Co., Ltd. (“Port Engineering Design Institute”) and Qingdao Ocean Tally Inspection and Testing Co., Ltd. (“Ocean Tally Inspection”), subsidiaries of the Company, were all small low-profit enterprises. The portion of the annual taxable income of no more than RMB1 million shall be deducted into the taxable income by 25%, and the enterprise income tax shall be prepaid at the rate of 20%; the annual taxable income between RMB1 million and RMB3 million shall be deducted into the taxable income by 50%, and the enterprise income tax shall be prepaid at the rate of 20%.

(b) Land use tax

For the six months ended 30 June 2019, according to Cai Shui [2017] No.33, the Group’s warehousing area for bulk commodities is subject to 50% tax reduction of land use tax. According to the Tentative Regulations of the People’s Republic of China of Urban Land Use Tax, the Group’s land exclusively for terminal use is exempted from land use tax.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	30 June 2019 (Unaudited)	31 December 2018
Cash on hand	2,000	5,049
Cash at bank	10,817,969,514	7,143,019,665
Other cash balances	558,967,798	934,947,784
	<u>11,376,939,312</u>	<u>8,077,972,498</u>
Including: amounts deposited abroad	178,442,495	161,984,217

As at 30 June 2019, other cash balances include statutory deposit reserves in the People’s Bank of China by Qingdao Finance amounted to RMB489,092,622 (31 December 2018: RMB865,122,560) according to relevant regulations, deposits for the issuance of bank acceptance notes amounted to RMB39,670,609 (31 December 2018: RMB35,444,084), deposits for the issuance of letter of credit amounted to RMB29,516,662 (31 December 2018: RMB23,694,560) and deposits for the issuance of letter of guarantee amounted to RMB687,905 (31 December 2018: RMB10,686,580).

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) Financial assets held for trading

	30 June 2019 (Unaudited)	31 December 2018
Wealth management products	<u>960,000,000</u>	<u>875,000,000</u>

As at 30 June 2019 and 31 December 2018, wealth management products are the Group's non-principal-guaranteed floating income wealth management products purchased from commercial banks and other financial institutions.

(3) Notes receivable

	30 June 2019 (Unaudited)	31 December 2018
Trade acceptance notes	172,340,836	68,630,097
Less: Bad debt provision (a)	<u>(8,617,042)</u>	<u>(3,431,505)</u>
	<u>163,723,794</u>	<u>65,198,592</u>

(a) The Group measures the provision of notes receivable based on the lifetime ECL regardless of whether there exists a significant financing component. As at 30 June 2019, the Group had no notes receivable with provision for impairment on individual basis.

(b) As at 30 June 2019 and 31 December 2018, the Group had no pledged acceptance notes.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Accounts receivable

	30 June 2019 (Unaudited)	31 December 2018
Accounts receivable	2,423,625,584	2,197,641,028
Less: Provision for bad debts	(143,731,711)	(129,105,702)
	<u>2,279,893,873</u>	<u>2,068,535,326</u>

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

(a) The ageing of accounts receivables based on their recording dates is analysed as follows:

	30 June 2019 (Unaudited)	31 December 2018
Within 1 year	2,235,931,201	2,054,374,493
1 to 2 years	160,781,936	123,010,857
2 to 3 years	14,934,375	7,147,776
3 to 4 years	649,063	3,099,707
4 to 5 years	2,705,297	1,384,483
More than 5 years	8,623,712	8,623,712
	<u>2,423,625,584</u>	<u>2,197,641,028</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Accounts receivable (Continued)

(b) Provision for bad debts of accounts receivable is classified and analysed as follows:

	30 June 2019 (Unaudited)			
	Book value		Provision for bad debts	
	Amount	% of the total	Amount	Lifetime ECL rate
Provision for bad debts on the individual basis (i)	1,320,814	0.05%	(1,320,814)	100.00%
Provision for bad debts on the grouping basis				
Combination C(ii)	2,422,304,770	99.95%	(142,410,897)	5.88%
	<u>2,423,625,584</u>	<u>100.00%</u>	<u>(143,731,711)</u>	<u>5.93%</u>

For accounts receivable, the Group measures the loss provision based on the lifetime ECL regardless of whether there exists a significant financing component.

(i) As at 30 June 2019, accounts receivable for which the related provision for bad debts is made on the individual basis are analysed as follows:

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Accounts receivable (Continued)

(b) **Bad debt provision of accounts receivable is classified and analysed as follows** (Continued):

(ii) Accounts receivable that are subject to provision for bad debts on the grouping basis are analysed as follows:

	30 June 2019 (Unaudited)		
	Ending balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Within 1 year	2,235,931,201	5.00%	(111,796,560)
1 to 2 years	160,781,936	10.00%	(16,078,194)
2 to 3 years	14,934,375	30.00%	(4,480,313)
3 to 4 years	649,063	50.00%	(324,532)
4 to 5 years	1,384,483	80.00%	(1,107,586)
Over 5 years	8,623,712	100.00%	(8,623,712)
	<u>2,422,304,770</u>	<u>5.88%</u>	<u>(142,410,897)</u>

As at 30 June 2019, the Group's net profit will be reduced by approximately RMB10,034,000 (31 December 2018: RMB9,194,451) if the lifetime ECL rate for each ageing band increased by 10%, while other factors remain unchanged.

(iii) For the six months ended 30 June 2019, the provision for bad debts in the current period amounted to RMB14,626,009, and there are no reversal or written off of the Group's provision for bad debts for the current period.

(c) **As at 30 June 2019, the total amount of top five accounts receivable is analysed as follows:**

	Amount	Provision	% of total
	(Unaudited)	for bad debts	balance
	(Unaudited)	(Unaudited)	(Unaudited)
Total amount of top five accounts receivable	<u>572,045,056</u>	<u>(34,099,519)</u>	<u>23.60%</u>

(d) As at 30 June 2019 and 31 December 2018, the Group did not have any receivables that were derecognised due to the transfer of financial assets.

(e) As at 30 June 2019 and 31 December 2018, the Group has no pledged accounts receivable.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) Financing receivables

	30 June 2019 (Unaudited)	31 December 2018
Bank acceptance notes	<u>543,177,217</u>	<u>670,396,485</u>

- (a) The Group endorses part of the bank acceptance notes for its daily fund management purpose. Therefore, the bank acceptance notes are classified as financial assets at fair value through other comprehensive income. The Group believes that its bank acceptance notes do not expose to significant credit risk and will not cause significant losses by bank default.
- (b) As at 30 June 2019 and 31 December 2018, the Group had no pledged bank acceptance notes.
- (c) As at 30 June 2019, the bank acceptance notes that the Group has endorsed but have not yet expired amounted to RMB433,587,899 (31 December 2018: RMB609,199,949) and has derecognised.

(6) Advances to suppliers

The ageing analysis of advances to suppliers is as follows:

	<u>30 June 2019 (Unaudited)</u>		31 December 2018	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	<u>150,823,847</u>	<u>100.00%</u>	<u>81,694,054</u>	<u>100.00%</u>

- (a) As at 30 June 2019, the total amount of top five advances to suppliers is analysed as follows:

	Amount (Unaudited)	% of total balance (Unaudited)
Total amount of top five advances to suppliers	<u>48,634,232</u>	<u>32.25%</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(7) Other receivables

	30 June 2019 (Unaudited)	31 December 2018
Receivables and advances of agent business (i)	1,496,229,071	949,837,560
Loans provided to related parties and third parties (ii)	700,992,821	697,589,806
Port construction fees receivable (iii)	63,111,393	51,560,550
Interests receivable	45,546,455	33,998,967
Deposits and guarantees	38,696,261	44,367,187
Labor fee receivable	10,536,012	638,187
Dividends receivable	1,500,000	–
Others	49,240,901	41,691,133
	<u>2,405,852,914</u>	<u>1,819,683,390</u>
Less: Provision for bad debts	<u>(39,976,082)</u>	<u>(36,921,240)</u>
	<u>2,365,876,832</u>	<u>1,782,762,150</u>

- (i) Receivables and advances of agent business are receivables from the Group's shipping agency business and advances to agent purchase of goods on behalf of the Group's clients.
- (ii) Loans provided to related parties and third parties are the short-term entrusted loans provided by the Company and short-term loans provided by the Company's subsidiary, Qingdao Finance.
- (iii) Receivables of port construction fees represent port construction fee from customers collected on behalf in accordance with the *Administrative Measures for the Collection and Use of Port Construction Fees* jointly issued by the Ministry of Finance and the Ministry of Transport.

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

	Stage 1	
	ECL over the next 12 months	
	Amount	Provision for bad debts
31 December 2018	1,819,683,390	(36,921,240)
Increase in the current period (Unaudited)	586,169,524	(3,054,842)
30 June 2019 (Unaudited)	<u>2,405,852,914</u>	<u>(39,976,082)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(7) Other receivables (Continued)

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

(i) As at 30 June 2019, the provisions for bad debts for other receivables in the Stage 1 are as follows:

	Amount (Unaudited)	ECL rate for the next 12 months	Provision for bad debts (Unaudited)	Reason
On the grouping basis:				
Group B	1,949,240,686	0.69%	(13,470,965)	i)
Group D	<u>456,612,228</u>	5.80%	<u>(26,505,117)</u>	ii)
	<u>2,405,852,914</u>		<u>(39,976,082)</u>	

- i) For loans provided and accounted for in other receivables, the Group measures the risks of loans mainly based on the “Probability of Default” of the customers to the agreed obligations and their financial position while taking the current credit exposure and future potential development trends into consideration. The Group strengthens the management in all stages of loans provision. Loans provided are continuously monitored and various factors that may affect the loan-related credit risk management processes are reviewed regularly; negative events that may have significant impact on the repayment capacity of the borrower are reported in a timely manner, with measures taken promptly, including adding guarantors or collaterals, so as to maximize the safety of assets, prevent and control risks; the repayment capacities with respect to the principal plus interest of the borrowers and potential borrowers are analysed on a regular basis; the credit limits are subject to adjustments when appropriate, and the credit risk exposure is managed as required. The Group assesses the expected credit losses by referring to the above methods for the payment of the customer’s payment in the agency business collection.
- ii) Other receivables that are subject to provision for bad debts on the grouping basis are analysed as follows:

	30 June 2019 (Unaudited)		
	Ending balance	Provision for bad debts	
	Amount	ECL rate for the next 12 months	Amount
Within 1 year	424,842,763	5.00%	(21,242,138)
1 to 2 years	24,846,658	10.00%	(2,484,666)
2 to 3 years	4,691,768	30.00%	(1,407,530)
3 to 4 years	1,479,148	50.00%	(739,574)
4 to 5 years	603,409	80.00%	(482,727)
Over 5 years	<u>148,482</u>	100.00%	<u>(148,482)</u>
	<u>456,612,228</u>	5.80%	<u>(26,505,117)</u>

(ii) As at 30 June 2019, the Group had no other receivables in Stage 2 and Stage 3.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(7) Other receivables (Continued)

(b) For the six months ended 30 June 2019, the provision for bad debts amounted to RMB3,054,842 which was the amount of provision for bad debts made on the grouping basis. For the six months ended 30 June 2019, the Group had no other receivables actually written off.

(c) As at 30 June 2019, top five other receivables are analysed as follows:

	Nature	Amount	Ageing	% of total	Provision for bad debts
Qingdao Port International Finance Leasing Co., Ltd. ("Qingdao Leasing")	Loans and others	361,456,150	Within 1 year	15.02%	(4,318,669)
Dongying Fangyuan Nonferrous Metal Co., Ltd.	Receivables of procurement agent business	210,012,881	Within 1 year	8.73%	(500,881)
Tianjin Moyu International Trade Co., Ltd.	Receivables of procurement agent business	146,766,460	Within 1 year	6.10%	(350,038)
Qingdao Port Dongjiakou Ore Terminal Co., Ltd. ("QDOT")	Loans and others	146,712,815	Within 1 year	6.10%	(3,983,564)
Shandong Xinhong Energy Co., Ltd.	Receivables of procurement agent business	102,456,000	Within 1 year	4.26%	(244,358)
		<u>967,404,306</u>		<u>40.21%</u>	<u>(9,397,510)</u>

(d) As at 30 June 2019 and 31 December 2018, the Group had no other receivables recognised in accordance with the government grants receivable.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(8) Inventories

(a) Inventories are summarized by categories as follows:

	30 June 2019 (Unaudited)			31 December 2018		
	Ending balance	Provision for decline in the value of inventories	Carrying amount	Ending balance	Provision for decline in the value of inventories	Carrying amount
Materials and finished goods	211,359,460	-	211,359,460	153,752,740	-	153,752,740
Spare parts	3,157,252	-	3,157,252	4,709,242	-	4,709,242
Fuel	21,529,700	-	21,529,700	3,958,862	-	3,958,862
Others	9,098,072	-	9,098,072	12,302,222	-	12,302,222
	<u>245,144,484</u>	<u>-</u>	<u>245,144,484</u>	<u>174,723,066</u>	<u>-</u>	<u>174,723,066</u>

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

	31 December 2018	Increase in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2019 (Unaudited)
Materials and finished goods	153,752,740	720,760,010	(663,153,290)	211,359,460
Spare parts	4,709,242	4,642,672	(6,194,662)	3,157,252
Fuel	3,958,862	163,051,717	(145,480,879)	21,529,700
Others	12,302,222	45,318,864	(48,523,014)	9,098,072
	<u>174,723,066</u>	<u>933,773,263</u>	<u>(863,351,845)</u>	<u>245,144,484</u>

(c) As at 30 June 2019 and 31 December 2018, the management of the Group considered that there is no indication that the inventories may be impaired, therefore no provision for decline in the value of inventories is recorded.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9) Contract assets

	30 June 2019 (Unaudited)	31 December 2018
Contract assets (i)	447,913,175	302,144,963
Less: Provision for Contract assets (ii)	(26,524,989)	(21,172,441)
	<u>421,388,186</u>	<u>280,972,522</u>

(i) Amount due from customers for construction contract

	30 June 2019 (Unaudited)	31 December 2018
Accumulated cost recognised	2,710,659,627	2,094,531,050
Add: Accumulated gross profits recognised	273,208,705	202,099,764
Less: Accumulated amounts settled	(2,535,955,157)	(1,994,485,851)
	<u>447,913,175</u>	<u>302,144,963</u>

- (ii) The Group measures the provision for contract assets based on the lifetime ECL regardless of whether there exists a significant financing component. As at 30 June 2019, the Group had no contract assets with provision for impairment on individual basis.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(10) Other current assets

	30 June 2019 (Unaudited)	31 December 2018
Financial assets held under resale agreement (i)	1,301,279,426	994,160,000
Certificates of interbank deposits (ii)	693,499,200	2,379,192,650
VAT input to be deducted	353,369,223	399,894,504
Income certificates (iii)	-	130,000,000
	<u>2,348,147,849</u>	<u>3,903,247,154</u>

- (i) The amounts were bonds purchased by Qingdao Finance (a subsidiary of the Company) in the current period, which were issued by Ping An Bank Co., Ltd., Guiyang Bank Co., Ltd. and Industrial Bank Co., Ltd. with RMB699,420,000, 399,800,000, and 199,800,000 respectively. Such amounts will be resold to the above banks at the appointed time. Management held such assets for contract cash flows and the cash flow characteristics of the contract are consistent with the basic loan arrangement. Therefore, such deposit certificates are classified as financial assets measured at amortized cost. As assessed by the Group, the amount have no significant credit risks and will not cause significant credit losses due to bank default. Financial assets held under resale agreement include interest calculated based on effective interest rate method.
- (ii) The amounts were interbank deposits purchased from Zhongyuan Bank Co.,Ltd, Qingdao Rural Commercial Bank Co., Ltd., Shanghai Bank Co., Ltd. and Guiyang Bank Co., Ltd. in the current period by Qingdao Finance (a subsidiary of the Company). Management held such deposits for contract cash flows and for resale. Therefore, such assets were classified as financial assets measured at fair value through other comprehensive income. As assessed by the Group, financial assets held under resale agreement have no significant credit risks and will not cause significant credit losses due to bank default. As at 30 June 2019, the original value of the interbank deposits is RMB685,177,300 and changes in fair value recorded in other comprehensive income is RMB8,321,900.
- (iii) As at 31 December 2018, the income certificates were purchased by Qingdao Finance (a subsidiary of the Company), from the Pacific Securities Co., Ltd. with the amounts of RMB80,000,000 and RMB50,000,000 and recovered on 27 June 2019 and 11 June 2019, respectively. Management held such assets for contract cash flows and the cash flow characteristics of the contract are consistent with the basic loan arrangement. Therefore, they were classified as financial assets measured at amortized cost. As assessed by the Group, the income certificates have no significant credit risks and will cause no significant credit losses due to bank default.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Long-term receivables

	30 June 2019 (Unaudited)	31 December 2018
Loans provided to related parties	2,072,379,865	2,035,653,884
Less: Current portion	(413,418,380)	(383,189,720)
Others	<u>1,247,327</u>	<u>1,720,653</u>
	1,660,208,812	1,654,184,817
Loan impairment provisions	(50,182,511)	(57,181,649)
Less: Current portion	<u>6,514,778</u>	<u>9,077,313</u>
	<u>(43,667,733)</u>	<u>(48,104,336)</u>
	<u>1,616,541,079</u>	<u>1,606,080,481</u>

Loans to related parties include long-term entrusted loans provided by the Company, long-term loans provided by Qingdao Finance, a subsidiary of the Company. The loans and related loan impairment provisions to be recovered within one year are presented as current portion of non-current assets.

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

- (i) As at 30 June 2019, the analysis of provision for long-term receivables in stage 1 is as follows:

	Stage 1	
	ECL over the next 12 months	
	Amount	Provision for bad debts
31 December 2018	2,037,374,537	(57,181,649)
Increase in the current period (Unaudited)	36,252,655	-
Reverse in the current period (Unaudited)	<u>-</u>	<u>6,999,138</u>
30 June 2019 (Unaudited)	<u>2,073,627,192</u>	<u>(50,182,511)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Long-term receivables (Continued)

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

(i)

	Amount (Unaudited)	ECL rate for the next 12 months	Provision for bad debt (Unaudited)	Reason
On the grouping basis:				
Group B	2,072,379,865	2.42%	(50,182,511)	Note 4(7)
Group D	<u>1,247,327</u>	-	<u>-</u>	
	<u><u>2,073,627,192</u></u>		<u><u>(50,182,511)</u></u>	

(ii) As at 30 June 2019, the Group had no long-term receivables in stage 2 and stage 3.

(12) Long-term equity investments

	30 June 2019 (Unaudited)	31 December 2018
Joint ventures (a)	9,319,106,457	8,631,839,092
Associates (b)	<u>329,464,246</u>	<u>193,417,721</u>
	<u><u>9,648,570,703</u></u>	<u><u>8,825,256,813</u></u>

As at 30 June 2019 and 31 December 2018, the Group's management considered that there was no indication that the long-term equity investments may be impaired, therefore no provision for impairment was required.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(12) Long-term equity investments (Continued)

(a) Joint ventures

Investments in joint ventures are set out below:

	31 December 2018	Movements for the current period (Unaudited)					30 June 2019 (Unaudited)
		Increase or decrease in investment	Share of net profit/(loss) under equity method	Share of other changes in equity	Cash dividends/ profit declared	Intra-group unrealized profit	
Qingdao Qianwan Container Terminal Co., Ltd. ("QQCT"(i))	5,369,989,265	-	448,646,671	6,124,726	-	(20,357,251)	5,804,403,411
Qingdao Shihua Crude Oil Terminal Co., Ltd. ("Qingdao Shihua")	1,357,662,527	-	201,037,912	5,632,260	-	1,777,675	1,566,110,374
Qingdao Qianwan West Port United Terminal Co., Ltd. ("West United") (ii)	378,022,867	-	15,436,908	103,576	-	(36,978)	393,526,373
Weihai Qingwei Container Terminal Co., Ltd. ("Qingwei Container")	116,204,442	-	11,245,999	17,566	-	-	127,468,007
Qingdao Evergreen Container Storage and Transportation Co., Ltd. ("Evergreen Container")	50,692,300	-	8,166,590	252,699	(21,457,807)	-	37,653,782
Qingdao Orient International Container Storage and Transportation Co., Ltd. ("Orient Container")	45,637,143	-	2,591,364	-	(7,254,681)	-	40,973,826
Qingdao Haiwan Liquid Chemical Port Operation Co., Ltd. ("Haiwan Liquid Chemical")	148,950,063	-	3,627,032	-	-	-	152,577,095
Qingdao Ganghai International Logistics Co., Ltd. ("Ganghai Logistics")	34,431,315	-	508,185	-	-	-	34,939,500
Qingdao Shenzhouxing International Transportation Co., Ltd. ("Shenzhouxing Cargo Agency")	20,044,682	-	3,281,759	-	-	-	23,326,441
China Shipping Agency (Qingdao) Co., Ltd. ("China Shipping Agency")	8,468,407	-	152,271	-	-	-	8,620,678
Qingdao United International Shipping Agency Co., Ltd. ("United Shipping Agency")	28,581,166	-	768,391	-	(1,121,560)	-	28,227,997
Huaneng Qingdao Port Operation Co., Ltd. ("Huaneng Qingdao")	141,366,590	-	(6,781,127)	62,431	-	-	134,647,894
Qingdao Port Dongjiakou IMC Logistics Co., Ltd. ("Dongjiakou IMC Logistics") (iii)	70,351,717	-	10,940,943	-	-	-	81,292,660
QDOT	691,031,486	-	20,009,889	27,895	-	(1,734,134)	709,335,136
Qingdao Port Express Logistics (Linyi) Co., Ltd. ("Linyi Express")	4,143,513	-	30,219	-	-	-	4,173,732
Sinotrans Qingdao Port Dongjiakou Logistics Co., Ltd. ("Dongjiakou Sinotrans Logistics")	50,496,966	-	779,811	-	-	-	51,276,777

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(12) Long-term equity investments (Continued)

(a) Joint ventures (Continued)

	31 December 2018	Movements for the current period (Unaudited)					30 June 2019 (Unaudited)
		Increase or decrease in investment	Share of net profit/(loss) under equity method	Share of other changes in equity	Cash dividends/ profit declared	Intra-group unrealized profit	
Qingdao Port Lianrong Logistics Co., Ltd. ("Lianrong Logistics")	8,586,060	-	1,570,224	-	(1,500,000)	-	8,656,284
Binzhou Port QDP International Terminal Co., Ltd. ("Binzhou Port QDP International Terminal")	13,333,523	-	4,262,281	(77,957)	-	-	17,517,847
Qingdao PetroChina Storage Company Limited ("PetroChina Storage")	93,415,311	-	-	-	-	-	93,415,311
Ocean Bridge International Port Operation and Management Co., Ltd. ("Ocean Bridge International")	429,749	-	533,583	-	-	-	963,332
	<u>8,631,839,092</u>	<u>-</u>	<u>726,808,905</u>	<u>12,143,196</u>	<u>(31,334,048)</u>	<u>(20,350,688)</u>	<u>9,319,106,457</u>

- (i) The Company holds 51% equity interest of QQCT. The Company can designate 6 out of 11 board members in QQCT. In accordance with the Articles of Association of QQCT, its significant financial and operating decisions should be passed at the Meeting of Board of Directors by at least 10 out of 11 directors. The Company still cannot unilaterally exercise control over QQCT, therefore QQCT is still accounted for as a joint venture.
- (ii) The Company holds 51% equity interest of West United. In accordance with the Articles of Association of West United, its significant financial and operating decisions should be passed at the Meeting of Shareholders, but the Board of Directors is authorized to vote on the main business decisions. The Company can designate 3 out of 5 board members in West United. The significant financial and operational decisions need to be approved by all directors. The Company cannot unilaterally exercise control over West United, therefore, West United is account for as a joint venture.
- (iii) The Company holds 51% equity interest of Dongjiakou IMC Logistics. In accordance with the Articles of Association of Dongjiakou IMC Logistics, its significant financial and operating decisions should be passed at the Meeting of Board of Directors. The Company can designate 4 out of 7 board members in Dongjiakou IMC Logistics. The significant financial and operational decisions need to be approved by all directors. The Company cannot unilaterally exercise control over Dongjiakou IMC Logistics, therefore West United is account for as a joint venture.

Information interests in joint ventures are set out in Note 6(2).

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(12) Long-term equity investments (Continued)

(b) Associates

Investments in associates are set out below:

	31 December 2018	Movements for the current period (Unaudited)			30 June 2019 (Unaudited)
		Increase in investment	Share of net profit/(loss) under equity method	Cash dividends/ profit declared	
Qingdao Ganghua Logistics Co., Ltd. ("Ganghua Logistics")	7,809,545	-	36,385	-	7,845,930
Qingdao Qingyin Financial Leasing Co., Ltd. ("Qingyin Financial Leasing")	94,322,008	-	5,030,488	-	99,352,496
Qingdao Port Lianhai International Logistics Co., Ltd. ("Lianhai Logistics") (i)	16,292,971	-	938,269	-	17,231,240
Vado Investment	74,993,197	-	-	-	74,993,197
Unitrans Group Co., Ltd. ("Unitrans") (ii)	-	128,218,100	1,823,283	-	130,041,383
	<u>193,417,721</u>	<u>128,218,100</u>	<u>7,828,425</u>	<u>-</u>	<u>329,464,246</u>

(i) On 2 January 2018, Qingdao Port International Logistics Co., Ltd. ("QDP Logistics"), a subsidiary of the Company, and COSCO Shipping Logistics (Qingdao) Co., Ltd. (formerly known as COSCO Logistics (Qingdao) Co., Ltd.) ("COSCO Shipping Logistics") jointly established Lianhai Logistics, with a registered capital of RMB30 million. Qingdao Port Logistics and COSCO Shipping Logistics hold 50% of its shareholding respectively. In accordance with the Articles of Association of Lianhai Logistics, the Company only had significant influence on Lianhai Logistics as at 30 June 2019, which is accounted for as an associate.

(ii) On 16 May 2019, QDP Logistics, a subsidiary of the Company, purchased 27.2% of shares of Unitrans with RMB128,218,100 from Department Service Bureau of Ministry of Transport. QDP Logistics can designate 2 out of 7 board members in Unitrans. QDP Logistics has a significant impact on Unitrans, therefore, it is accounted for as an associate.

Information on equity in associates is set out in Note 6(2).

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(13) Other non-current financial assets

	30 June 2019 (Unaudited)	31 December 2018
Investments in financial assets at fair value through profit or loss		
Financial bonds (i)	289,143,540	135,372,690
Equity investments (ii)	72,207,877	72,207,877
Non-principal-guaranteed floating income wealth management products (iii)	-	61,000,000
	<u>361,351,417</u>	<u>268,580,567</u>

- (i) Other non-current financial assets with a carrying amount of RMB289,143,540 include the Tier 2 Capital Bonds (Tranche 1) for 2018 of Bank of China Co., Ltd. purchased by Qingdao Finance, financial bonds (Tranche 5) for 2017 of China Development Bank Co., Ltd., financial bonds (Tranche 11) for 2018 of Agriculture Development Bank of China, financial bonds (Tranche 1, Type 1) for 2019 of Bank of Qingdao Co., Ltd. and financial bonds (Tranche 4) for 2019 of Agriculture Development Bank of China Co., Ltd. The Group manages such financial assets only for sale, so they are classified as financial assets at fair value through profit or loss. As the Group assessed, there is no significant credit risk associated with the amounts and does not expect that there will be any significant losses due to bank default.
- (ii) Equity investment with a carrying amount of RMB72,207,877 represents unlisted equity investments held by the Group in Binhai Hongrun Pipeline, LNG and Sanya Yalong Bay with shareholding of 10%, 1% and 0.06% respectively, over which the Group has no control, joint control or significant influence. The Group has no plan to dispose these investments and they are measured at fair value through profit or loss.
- (iii) As at 31 December 2018, other non-current financial assets with a carrying amount of RMB61,000,000 refer to the first tranche of the 2017 trust in property rights of corporate loan credit assets of Bank of Qingdao purchased by Qingdao Finance, measured at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(14) Investment properties

	Buildings	Land use rights	Total
Cost			
31 December 2018	<u>38,250,915</u>	<u>175,111,934</u>	<u>213,362,849</u>
30 June 2019 (Unaudited)	<u>38,250,915</u>	<u>175,111,934</u>	<u>213,362,849</u>
Accumulated depreciation			
31 December 2018	(6,563,368)	(17,962,905)	(24,526,273)
Increase in the current period (Unaudited)	<u>(678,712)</u>	<u>(1,766,861)</u>	<u>(2,445,573)</u>
30 June 2019 (Unaudited)	<u>(7,242,080)</u>	<u>(19,729,766)</u>	<u>(26,971,846)</u>
Net book value			
30 June 2019 (Unaudited)	<u>31,008,835</u>	<u>155,382,168</u>	<u>186,391,003</u>
31 December 2018	<u>31,687,547</u>	<u>157,149,029</u>	<u>188,836,576</u>

As at 30 June 2019 and 31 December 2018, the management of the Group considered that there is no indication that the investment properties may be impaired, therefore no provision for impairment is recorded.

For the six months ended 30 June 2019, no interest expenses were capitalized in investment properties by the Company.

As at 30 June 2019, investment properties with the net book value of RMB1,780,530 and cost of RMB1,948,060 (31 December 2018: the net book value of RMB1,818,014 and cost of RMB1,948,060) are without certificates due to the mismatch of land and properties.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(15) Fixed assets

	Cost							Total		
	Buildings	Port facilities	Storage facilities	Loading equipment	Machinery and equipment	Vessels	Motor vehicles		Communication facilities	Office and other equipment
31 December 2018	586,623,108	9,600,166,887	5,227,105,159	2,909,938,006	799,174,384	1,564,176,125	115,314,438	160,220,359	72,283,098	21,035,001,564
Changes in accounting policies (Note 2(30)(b))	-	(267,891,846)	(55,613,607)	(137,715,817)	-	(91,439,655)	-	-	-	(552,660,925)
1 January 2019	586,623,108	9,332,275,041	5,171,491,552	2,772,222,189	799,174,384	1,472,736,470	115,314,438	160,220,359	72,283,098	20,482,340,639
Increase in the current period (Unaudited)										
Transfer from construction in progress	1,021,118	(69,253,589)	38,043,826	45,383,005	5,025,026	2,427,601	289,014	-	-	161,443,179
Purchase in the current period	-	-	1,423,583	18,444,343	11,414,549	-	2,814,629	5,361,114	2,257,756	41,715,974
Decrease in the current period (Unaudited)										
Disposal and discarding	-	-	-	(2,821,960)	(2,509,692)	-	(3,348,125)	(947,120)	(47,074)	(9,673,971)
Others (i)	-	(14,517,608)	(86,323,487)	-	-	-	-	-	-	(101,041,095)
30 June 2019 (Unaudited)	587,644,226	9,387,011,022	5,124,435,474	2,833,227,577	813,104,267	1,475,164,071	115,069,956	164,634,353	74,493,780	20,574,784,726
	Accumulated depreciation									
31 December 2018	(210,474,790)	(2,113,644,873)	(849,750,140)	(2,403,057,704)	(572,906,141)	(627,782,842)	(79,259,628)	(100,503,086)	(36,762,783)	(6,994,141,987)
Changes in accounting policies (Note 2(30)(b))	-	16,021,206	703,778	43,798,477	-	-	-	-	-	60,523,461
1 January 2019	(210,474,790)	(2,097,623,667)	(849,046,362)	(2,359,259,227)	(572,906,141)	(627,782,842)	(79,259,628)	(100,503,086)	(36,762,783)	(6,933,618,526)
Increase in the current period (Unaudited)										
Provision	(11,200,924)	(115,788,318)	(91,188,692)	(52,782,411)	(28,485,127)	(31,863,790)	(3,809,146)	(8,373,470)	(1,943,536)	(345,435,414)
Decrease in the current period (Unaudited)										
Disposal and discarding	-	-	-	2,764,044	2,403,865	-	2,738,698	121,102	33,972	8,061,681
Others (i)	-	757,621	3,423,363	-	-	-	-	-	-	4,180,984
30 June 2019 (Unaudited)	(221,675,714)	(2,212,654,364)	(936,811,691)	(2,409,277,594)	(598,987,403)	(659,646,632)	(80,330,076)	(108,755,454)	(38,672,347)	(7,266,811,275)
	Net book value									
30 June 2019 (Unaudited)	365,968,512	7,174,356,658	4,187,623,783	423,949,983	214,116,864	815,517,439	34,739,880	55,878,899	35,821,433	13,307,973,451
31 December 2018	376,148,318	7,486,522,014	4,377,355,019	506,880,302	226,268,243	936,393,283	36,054,810	59,717,273	35,520,315	14,040,859,577

Net book value

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(15) Fixed assets (Continued)

- (i) The Group had been authorised the sea area use rights for land reclamation on Qingdao Port Dongjiakou Port Area (“Reclamation Land”) in prior year. The related land backfill costs on the Reclamation Land have been recognised in “fixed assets – port facilities”, “fixed assets – storage facilities” and “intangible assets – sea area use rights” by the Group. The certificate for land use rights of the above mentioned area has been obtained. During the six months ended 30 June 2019, the Group received RMB133,347,600 of land reclamation compensation, which was charged against land reclamation costs of “fixed assets – port facilities”, “fixed assets – storage facilities” and “intangible assets – sea area use rights”, amounting to RMB13,759,987, RMB83,100,124 and RMB36,487,489 respectively (Note 4(18)).

The book value of fixed assets that were leased out through operating lease is as follows:

	Buildings	Port facilities	Storage facilities	Other equipment	Total
Cost					
31 December 2018	26,984,361	2,187,267,267	924,917,845	93,923	3,139,263,396
30 June 2019 (Unaudited)	26,984,361	2,187,267,267	924,917,845	93,923	3,139,263,396
Accumulated depreciation					
31 December 2018	(6,628,760)	(299,302,122)	(114,236,862)	(86,194)	(420,253,938)
Increase in the current period (Unaudited)					
Provision	(662,876)	(31,498,033)	(11,928,618)	-	(44,089,527)
30 June 2019 (Unaudited)	(7,291,636)	(330,800,155)	(126,165,480)	(86,194)	(464,343,465)
Book value					
30 June 2019 (Unaudited)	19,692,725	1,856,467,112	798,752,365	7,729	2,674,919,931
31 December 2018	20,355,601	1,887,965,145	810,680,983	7,729	2,719,009,458

As at 30 June 2019 and 31 December 2018, the Group had no mortgaged fixed assets.

The depreciation amount for fixed assets for the six months ended 30 June 2019 is RMB345,435,414 (For the six months ended 30 June 2018: RMB326,548,046). The amounts of depreciation expenses charged to cost of sales, general expenses and selling expenses were RMB333,833,720 and RMB11,601,694 and nil respectively (For the sixth months ended 30 June 2018: RMB316,941,716, RMB9,599,953 and RMB6,377 respectively).

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(15) Fixed assets (Continued)

For the six months ended 30 June 2019, the costs of fixed assets transferred from construction in progress amount to RMB161,443,179 (For the six months ended 30 June 2018: RMB128,549,634).

As at 30 June 2019 and 31 December 2018, the Company considered that there was no indication that the fixed assets may be impaired, therefore no provision for impairment was required.

(i) As at 30 June 2019 and 31 December 2018, the Group had no temporarily idle fixed assets.

(ii) Fixed assets that have not received a certificate of property right:

As at 30 June 2019, properties with a carrying amount of RMB9,233,701 and 1,021,118 were without certificates due to locating on lands that do not belong to the Group and have not completed financial accounts for completion of construction project.

As at 31 December 2018, properties with a carrying amount of RMB9,446,212 were without certificates due to locating on lands that do not belong to the Group.

(iii) No terms of residual guarantee were provided for the lease contract of buildings, port facilities, storage facilities and other equipment signed by the Group as the lessor.

(16) Construction in progress

	30 June 2019 (Unaudited)			31 December 2018		
	Carrying amount	Impairment provision	Net book value	Carrying amount	Impairment provision	Net book value
Dongjiakou stevedoring, storage and transportation projects for liquid bulk cargo	1,476,961,376	-	1,476,961,376	1,159,351,667	-	1,159,351,667
Dongjiakou bulk cargo berths and storage yard project	717,004,895	-	717,004,895	786,900,531	-	786,900,531
Other projects	179,360,438	-	179,360,438	151,560,642	-	151,560,642
	<u>2,373,326,709</u>	<u>-</u>	<u>2,373,326,709</u>	<u>2,097,812,840</u>	<u>-</u>	<u>2,097,812,840</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(16) Construction in progress (Continued)

(a) Changes of major projects

Project name	Budget	31 December 2018	Changes in accounting policies (Note 2 (30(b)))	1 January 2019	Increase in the current period (Unaudited)	Transfer to fixed assets (Unaudited)	Other decrease in the current period (Unaudited)	30 June 2019 (Unaudited)	Percentage of project investment among budget	Progress of the project	Accumulative amount of capitalized borrowing costs	Including: Borrowing costs capitalized in the current period	Capitalization rate in the current period	Sources of capital
Dongjiakou stevedoring, storage and transportation projects for liquid bulk cargo	7,539,654,615	1,159,351,667	(56,593,640)	1,102,758,027	474,474,319	(100,270,980)	-	1,476,961,376	60%	60%	-	-	-	Internal capital
Dongjiakou bulk cargo berths and storage yard project	1,683,790,883	786,900,531	-	786,900,531	21,087,084	(5,605,020)	(85,377,700)	717,004,895	74%	74%	30,238,575	490,194	4.90%	Internal capital and bank loan
Other projects	268,766,193	151,560,642	-	151,560,642	83,366,975	(55,567,179)	-	179,360,438	91%	91%	-	-	-	Internal capital
		<u>2,097,812,840</u>	<u>(56,593,640)</u>	<u>2,041,219,210</u>	<u>578,928,378</u>	<u>(161,443,179)</u>	<u>(85,377,700)</u>	<u>2,373,326,709</u>			<u>30,238,575</u>	<u>490,194</u>		

(i) The Group obtained the right to use the sea area of Qingdao Port Dongjiakou Port Area and reclaimed land from the sea in the previous year, with the corresponding land reclamation costs recorded in construction in progress, this project is still in progress. During the six months ended 30 June 2019, the Group received RMB85,377,700 of land reclamation compensation, which was charged against land reclamation costs recorded in construction in progress.

As at 30 June 2019 and 31 December 2018, the management of the Group considered that there is no indication that the construction in progress may be impaired, therefore no provision for impairment was recorded.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(17) Right-of-use assets

	Port facilities	Storage facilities	Loading equipment	Vessel	Total
Cost					
31 December 2018	—	—	—	—	—
Changes in accounting policies (Note 2(30)(b))	324,485,476	166,686,184	137,715,817	91,439,655	720,327,132
1 January 2019	324,485,476	166,686,184	137,715,817	91,439,655	720,327,132
Increase in the current period (Unaudited)					
New lease contracts	2,780,001	—	5,881,423	—	8,661,424
30 June 2019 (Unaudited)	327,265,477	166,686,184	143,597,240	91,439,655	728,988,556
Accumulated depreciation					
31 December 2018	—	—	—	—	—
Changes in accounting policies (Note 2(30)(b))	(16,021,206)	(703,778)	(43,798,477)	—	(60,523,461)
1 January 2019	(16,021,206)	(703,778)	(43,798,477)	—	(60,523,461)
Increase in the current period (Unaudited)					
Provision	(7,358,038)	(18,000,319)	(7,470,262)	(2,412,991)	(35,241,610)
30 June 2019 (Unaudited)	(23,379,244)	(18,704,097)	(51,268,739)	(2,412,991)	(95,765,071)
Net book value					
30 June 2019 (Unaudited)	303,886,233	147,982,087	92,328,501	89,026,664	633,223,485
31 December 2018	—	—	—	—	—

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(18) Intangible assets

	Land use right	Software	Sea area use right	Others	Total
Cost					
31 December 2018	1,986,648,140	95,260,008	116,297,540	50,178,663	2,248,384,351
Increase in the current period (Unaudited)					
Purchase	-	4,448,160	-	-	4,448,160
Internal research and development	-	613,027	-	-	613,027
Decrease in the current period (Unaudited)					
Cost reimbursement for sea reclamation (Note 4(15))	-	-	(39,748,750)	-	(39,748,750)
30 June 2019 (Unaudited)	1,986,648,140	100,321,195	76,548,790	50,178,663	2,213,696,788
Accumulated amortization					
31 December 2018 (Unaudited)	(90,053,317)	(44,115,357)	(9,091,795)	(35,269,808)	(178,530,277)
Increase in the current period (Unaudited)					
Provision	(20,415,300)	(7,046,856)	(1,161,513)	(1,503,125)	(30,126,794)
Decrease in the current period (Unaudited)					
Cost reimbursement for sea reclamation (Note 4(15))	-	-	3,261,261	-	3,261,261
30 June 2019 (Unaudited)	(110,468,617)	(51,162,213)	(6,992,047)	(36,772,933)	(205,395,810)
Book value					
30 June 2019 (Unaudited)	1,876,179,523	49,158,982	69,556,743	13,405,730	2,008,300,978
31 December 2018	1,896,594,823	51,144,651	107,205,745	14,908,855	2,069,854,074

For the six months ended 30 June 2019, the amount of amortization for intangible assets is RMB30,126,794 (For the six months ended 30 June 2018: RMB23,565,595).

For the six months ended on 30 June 2019 and six months ended 30 June 2018, the Group had no amortization cost of land use rights recorded in construction in progress.

As at 30 June 2019 and 31 December 2018, the Group had no land use rights without certificates.

As at 30 June 2019 and 31 December 2018, the Group had no pledged land use rights.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(18) Intangible assets (Continued)

As at 30 June 2019 and 31 December 2018, the management of the Group considered that there was no indication of impairment of intangible assets, and therefore no provision for impairment was required.

The Group's Development expenses are as follows:

	31 December 2018	Increase in current period (Unaudited)	Decrease in the current period		30 June 2019 (Unaudited)
			Recorded in profit and loss (Unaudited)	Recognised as intangible assets (Unaudited)	
Software	-	7,659,538	(7,046,511)	(613,027)	-
Patented technology	-	3,803,804	(3,803,804)	-	-
Other	-	576,484	(576,484)	-	-
	-	12,039,826	(11,426,799)	(613,027)	-

For the six months ended 30 June 2019, the Group's research and development expenses amounted to RMB12,039,826 (For the six months ended 30 June 2018: RMB22,111,144), of which RMB11,426,799 (For the six months ended 30 June 2018: RMB11,918,459) was charged in profit and loss for the current period and RMB613,027 (For the six months ended 30 June 2018: RMB10,192,685) was recognised as intangible assets. As at 30 June 2019, the intangible assets developed by the Group accounted for 0.03% (31 December 2018: 1.64%) of the carrying amount of the total intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(19) Provision for asset impairment

	31 December 2018	Increase in the current period (Unaudited)	Decrease in the current period		30 June 2019 (Unaudited)
			Reversal (Unaudited)	Write-off (Unaudited)	
Provision for bad debts of notes receivables	3,431,505	5,185,537	-	-	8,617,042
Including: Provision for bad debts on the individual basis	-	-	-	-	-
Provision for bad debts on the grouping basis	3,431,505	5,185,537	-	-	8,617,042
Provision for bad debts of accounts receivables	129,105,702	14,626,009	-	-	143,731,711
Including: Provision for bad debts on the individual basis	1,320,814	-	-	-	1,320,814
Provision for bad debts on the grouping basis	127,784,888	14,626,009	-	-	142,410,897
Provision for bad debts of other receivables	36,921,240	3,054,842	-	-	39,976,082
Including: Provision for bad debts on the individual basis	-	-	-	-	-
Provision for bad debts on the grouping basis	36,921,240	3,054,842	-	-	39,976,082
Provision for impairment of contract assets	21,172,441	5,352,548	-	-	26,524,989
Provision for impairment of long-term receivables	57,181,649	-	(6,999,138)	-	50,182,511
	<u>247,812,537</u>	<u>28,218,936</u>	<u>(6,999,138)</u>	<u>-</u>	<u>269,032,335</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(20) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offsetting

	30 June 2019 (Unaudited)		31 December 2018	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Assets revaluation surplus	2,896,843,664	724,210,916	2,937,993,264	734,498,316
Early retirement benefits	78,650,000	19,662,500	85,930,000	21,482,500
Elimination of intra-group unrealized profit	351,265,624	87,816,406	327,699,192	81,924,798
Provision for asset impairment	256,931,488	64,232,872	263,109,929	66,777,712
Accrued expenses	67,220,356	16,805,089	66,678,896	16,669,724
Deductible losses	13,593,676	3,398,419	13,593,676	3,398,419
Government grant	71,816,752	17,954,188	71,545,404	17,886,351
	<u>3,736,321,560</u>	<u>934,080,390</u>	<u>3,766,550,361</u>	<u>942,637,820</u>
Including:				
Expected to be recovered within one year (inclusive)		41,557,397		38,164,745
Expected to be recovered after one year		<u>892,522,993</u>		<u>904,473,075</u>
		<u>934,080,390</u>		<u>942,637,820</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(b) Deferred tax liabilities before offsetting

	30 June 2019 (Unaudited)		31 December 2018	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Business combinations involving enterprises not under common control	89,181,748	22,295,437	90,947,168	22,736,792
One-time deduction of fixed asset purchase	61,486,932	15,371,733	40,565,466	9,788,926
Changes in fair value of wealth management products	41,423,732	10,355,933	5,014,902	1,253,726
	<u>192,092,412</u>	<u>48,023,103</u>	<u>136,527,536</u>	<u>33,779,444</u>
Including:				
Expected to be recovered within one year (inclusive)		13,838,116		3,205,792
Expected to be recovered after one year		34,184,987		30,573,652
		<u>48,023,103</u>		<u>33,779,444</u>

(c) Deductible temporary differences and deductible losses that are not recognised as deferred tax assets are analysed as follows:

	30 June 2019 (Unaudited)	31 December 2018
Deductible losses	<u>150,436,693</u>	<u>113,160,166</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(d) Deductible losses that are not recognised as deferred tax assets will expire in the following years:

	30 June 2019 (Unaudited)	31 December 2018
2020	-	-
2021	10,000,709	10,083,203
2022	39,944,152	39,944,152
2023	61,651,370	63,132,811
2024	38,840,462	-
	<u>150,436,693</u>	<u>113,160,166</u>

(e) The net balances of deferred tax assets and liability after offsetting are as follows:

	30 June 2019 (Unaudited)		31 December 2018	
	Offsetting amount	Amount after offsetting	Offsetting amount	Amount after offsetting
Deferred tax assets	(48,023,103)	886,057,287	(33,779,444)	908,858,376
Deferred tax liability	(48,023,103)	-	(33,779,444)	-

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(21) Other non-current assets

	30 June 2019 (Unaudited)	31 December 2018
Taxes prepaid for port facilities rental income (i)	170,612,630	176,355,137
Less: Current portion	(11,632,329)	(11,632,329)
Foundation oil (ii)	154,048,708	154,048,708
Construction and equipment expenditures prepaid	104,997	22,357,252
	<u>313,134,006</u>	<u>341,128,768</u>

- (i) The Group leased out certain land use rights, port facilities, storage facilities and other assets (collectively “Port Facilities”) in Qianwan Port Area to QQCT, a joint venture of the Group with a lease term of 30 years. By the end of 2010, the Group had received the rental payments in full. The Group calculated the tax and surcharges relating to the amounts received and recorded them as other non-current assets, the current portion of which is presented as the current portion of non-current assets. The amount of taxes paid has been amortized to the other tax items in tax and surcharges according to rental income recognised in each period.
- (ii) The Company’s subsidiary, Weifang Port Lianhua Storage Co., Ltd. (“Weifang Port Lianhua”), Qingdao Haiye Mercuria Storage Co., Ltd. (“Mercuria Storage”) and Dongying Port Lianhua Storage Co., Ltd. (“Dongying Port Lianhua”) purchased some crude oil for the purpose of production and filled in the crude oil pipeline and tanks, so as to ensure the precision of oil product metering and increase the tank pressure for production safety.

(22) Short-term borrowings

	Currency	30 June 2019 (Unaudited)	31 December 2018
Unsecured borrowings	RMB	128,829,962	98,080,000
Unsecured borrowings	USD	301,431,843	8,218,594
Secured borrowings	USD	-	36,634,830
Secured borrowings	RMB	-	23,778,780
		<u>430,261,805</u>	<u>166,712,204</u>

- (a) As at 30 June 2019, the interest rate of short-term borrowings ranges from 2.70% to 5.28% (31 December 2018: 4.60% to 7.00%).

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(23) Notes payable

	30 June 2019 (Unaudited)	31 December 2018
Trade acceptance notes	850,410,462	712,240,208
Bank acceptance notes	287,729,696	244,784,668
	<u>1,138,140,158</u>	<u>957,024,876</u>

(24) Accounts payable

	30 June 2019 (Unaudited)	31 December 2018
Material and equipment expenditure payable	544,501,528	560,072,181
Transportation expenses payable	292,843,925	376,983,361
Subcontract construction costs payable	248,030,654	235,583,010
Agency fee payable	158,001,617	121,644,081
Subcontract handling expenses payable	106,893,400	170,869,837
Rental expenses payable	39,805,847	18,801,715
Repair expenses payable	35,066,847	33,305,281
Others	73,200,800	64,347,853
	<u>1,498,344,618</u>	<u>1,581,607,319</u>

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

	30 June 2019 (Unaudited)	31 December 2018
Within 1 year	1,345,913,916	1,418,046,166
Over 1 year	152,430,702	163,561,153
	<u>1,498,344,618</u>	<u>1,581,607,319</u>

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

As at 30 June 2019, accounts payable over one year amounted to RMB152,430,702 (31 December 2018: RMB163,561,153), which were mainly subcontract costs payable for unsettled constructions.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(25) Advances from customers

	30 June 2019 (Unaudited)	31 December 2018
Rental advances	<u>235,206,171</u>	<u>209,454,071</u>

As at 30 June 2019 and 31 December 2018, the ageing of advances from customers was within 1 year.

(26) Contract Liabilities

	30 June 2019 (Unaudited)	31 December 2018
Logistic fee received in advance	71,295,113	67,106,406
Loading fee received in advance	42,043,818	48,193,391
Construction fee received in advance	6,298,493	12,573,598
Material/Equipment fee received in advance	5,756,447	4,428,301
Transportation fee received in advance	2,518,497	1,655,230
Others	<u>7,810,641</u>	<u>1,007,164</u>
	<u>135,723,009</u>	<u>134,964,090</u>

As at 31 December 2018, the balance of the Group's contract liabilities amounted to RMB134,964,090, of which RMB115,708,185 has been recognised into revenue from main operations for the six months ended 30 June 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(27) Employee benefits payable

	30 June 2019 (Unaudited)	31 December 2018
Short-term employee benefits payable (a)	74,716,342	119,844,885
Defined contribution plans payable (b)	4,979,995	2,983,055
Termination benefits payable (c)	14,810,000	16,370,000
Defined benefit plans payable (d)	<u>114,270,000</u>	<u>112,150,000</u>
	<u>208,776,337</u>	<u>251,347,940</u>

(a) Short-term employee benefits

	31 December 2018	Increase in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2019 (Unaudited)
Wages and salaries, bonus, allowances and subsidies	88,020,994	494,240,800	(530,489,301)	51,772,493
Employee welfare	32,905	56,156,615	(49,074,324)	7,115,196
Social security contributions	31,815	46,715,139	(46,737,028)	9,926
Including: Medical insurance	30,014	38,781,247	(38,802,574)	8,687
Work injury insurance	1,595	1,810,651	(1,811,908)	338
Maternity insurance	206	6,123,241	(6,122,546)	901
Housing fund	9,115	50,382,650	(50,378,983)	12,782
Labor union funds and employee education funds	6,284,042	10,705,491	(9,793,998)	7,195,535
Outsourcing costs	25,458,114	225,531,245	(242,378,949)	8,610,410
Others	7,900	800,361	(808,261)	-
	<u>119,844,885</u>	<u>884,532,301</u>	<u>(929,660,844)</u>	<u>74,716,342</u>

(b) Defined contribution plans

	31 December 2018	Increase in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2019 (Unaudited)
Basic pensions	10,630	76,574,064	(76,569,941)	14,753
Unemployment insurance	745	3,087,498	(3,087,669)	574
Enterprise annuity	2,971,680	34,962,650	(32,969,662)	4,964,668
	<u>2,983,055</u>	<u>114,624,212</u>	<u>(112,627,272)</u>	<u>4,979,995</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(27) Employee benefits payable (Continued)

(c) Termination benefits payable

	30 June 2019 (Unaudited)	31 December 2018
Early retirement benefits payable (Current portion)	<u>14,810,000</u>	<u>16,370,000</u>

Early retirement benefits borne by the Group are recognised as long-term employee benefits payable (Note 4(35)), the current portion of which is presented as employee benefits payable.

(d) Defined benefit plans

	30 June 2019 (Unaudited)	31 December 2018
Supplemental retirement benefits (Current portion)	<u>114,270,000</u>	<u>112,150,000</u>

Supplemental retirement benefits borne by the Group are recognised as long-term employee benefits payable (Note 4(35)), the current portion of which is presented as employee benefits payable.

(28) Taxes payable

	30 June 2019 (Unaudited)	31 December 2018
Enterprise income tax payable	194,110,992	166,015,173
Unpaid VAT	20,325,080	21,052,542
Land use tax payable	12,711,892	14,641,938
Property tax payable	1,364,858	2,135,451
Individual income tax payable	591,250	1,492,664
Stamp duty payable	759,695	1,322,353
Others	<u>4,052,903</u>	<u>2,654,486</u>
	<u>233,916,670</u>	<u>209,314,607</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(29) Other payables

	30 June 2019 (Unaudited)	31 December 2018
Customer deposits by Qingdao Finance (i)	4,568,735,847	3,923,373,004
Dividends payable (ii)	2,423,218,329	1,976,706
Construction and equipment expenditures payable (iii)	1,147,624,544	1,196,352,044
Receivables and advances of agent business (iv)	799,638,522	497,188,343
Port construction fees payable (v)	90,008,704	66,692,221
Guarantees and deposits payable	86,273,791	85,357,605
Rail freight collected on behalf	28,931,017	9,631,070
Borrowings payable to minority shareholders	28,000,000	28,000,000
Interest payable	–	81,730,280
Others	62,768,990	64,648,268
	<u>9,235,199,744</u>	<u>5,954,949,541</u>

- (i) Customer deposits are primarily taken by Qingdao Finance, a subsidiary of the Company, from the Group's related parties.
- (ii) As at 30 June 2019, dividends payable represents dividends for the years of 2017 and 2018 distributed to all shareholders by the Company. According to the resolution of the Board of Directors' meeting on 28 March 2019 and the annual shareholders meeting on 17 May 2019, the Company proposed to distribute cash dividends of 2017 and 2018 to all shareholders at RMB379.70 per thousand shares (including tax). Based on the 6,491,100,000 shares issued, the proposed dividends are RMB2,464,670,670. As at 30 June 2019, the amount of dividends payable deducting income tax for H-share corporation is RMB2,423,218,329.
- (iii) Construction and equipment expenditures payable are mainly payables for project construction, which remain outstanding as relevant projects have not been completed.
- (iv) Receivables and advances of agent business are paid on behalf are amounts paid on behalf by the Group relating to shipping agency business, agent procurement and other businesses.
- (v) Port construction fees payable are collected by the Group on behalf and will be paid to Qingdao Maritime Safety Administration of the PRC.
- (a) As at 30 June 2019, other payables over 1 year of RMB187,750,121 (31 December 2018: RMB199,525,780) were mainly construction and equipment expenditures payable which remain outstanding as are not due.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(30) Long-term borrowings

	Currency	30 June 2019 (Unaudited)	31 December 2018
Unsecured borrowings	RMB	100,544,206	112,540,687
Unsecured borrowings	EUR	75,632,301	75,632,301
Less: Current portion		<u>(28,380,000)</u>	<u>(27,380,000)</u>
		<u>147,796,507</u>	<u>160,792,988</u>

As at 30 June 2019, interest rate of the long-term borrowings ranges from 2.90% to 4.90% (31 December 2018: 2.90% to 4.90%).

(31) Bonds payable

	31 December 2018	Repayment in the current period (Unaudited)	Interest accrued by par value (Unaudited)	30 June 2019 (Unaudited)
Corporate bonds payable	<u>3,500,000,000</u>	<u>(1,383,100,000)</u>	<u>16,307,034</u>	<u>2,133,207,034</u>

Information about bonds are as follows:

	Par value	Issue date	Maturity period of bond	Issue value of bond
Corporate bonds payable	1,500,000,000	18 March 2016	5 years	1,500,000,000
Corporate bonds payable	2,000,000,000	8 June 2016	5 years	2,000,000,000

Under Zheng Jian Xu Ke [2016] No. 153 approved by China Securities Regulatory Commission, the Company issued the first tranche of corporate bonds of RMB1.5 billion and the second tranche of corporate bonds of RMB2 billion on 18 March 2016 and 8 June 2016, respectively with the term of five years. The Company has an option of raising the coupon rate and the investors have an option to sell back the bonds at the end of the third year. If the investors do not register for resale within the resale registration period, the term of bond is 5 years. Interest of the bonds is paid annually and calculated by the simple interest method. The Company published announcements on 18 February 2019 and 10 May 2019, respectively, pursuant to which, from 18 March 2019 and 8 June 2019, the coupon rates of the first and second tranches of corporate bonds of the Company were raised from 2.90% and 3.09% respectively to 3.68%. The bonds that investors sold back amounted to RMB90,900,000 and RMB1,292,200,000, respectively.

As at 30 June 2019, the balance of bonds payable was RMB2,133,207,034, with due date of more than one year; as at 31 December 2018, the balance of bonds payable was RMB3,500,000,000, which was all reclassified as current portion of non-current liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(32) Lease liability

	30 June 2019 (Unaudited)	31 December 2018
Lease liabilities	630,741,897	—
Less: Current portion	(103,048,518)	—
	<u>527,693,379</u>	<u>—</u>

As at 30 June 2019, the Group had no variable lease payment based on certain percentage of sales and no lease payments related to signed but not yet started lease contracts.

(33) Long-term payables

	30 June 2019 (Unaudited)	31 December 2018
Collection and payment of welfare expenses on behalf of Qingdao Port Group	47,170,384	44,619,933
Less: Current portion of welfare expenses	(2,080,000)	(2,610,000)
Payables to Qingdao Port Leasing Company (i)	—	555,130,898
Less: Current portion	—	(66,414,520)
Finance lease payables to third parties (i)	—	2,134,186
Less: Current portion	—	(2,134,186)
Others	—	53,000
	<u>45,090,384</u>	<u>530,779,311</u>

(i) Payables to Qingdao Port Leasing Company is the amount payable for the purchase of asset through Qingdao Leasing in the form of a finance lease by the Company and its subsidiaries, Shandong Port Lianhua Pipeline Oil Transport Co., Ltd. ("Lianhua Pipeline"), Weifang Port Lianhua, Dongying Port Lianhua, Datang Port and Mercuria Logistics. As at 30 June 2019, they are reclassified into lease liabilities based on the New lease Standards (Note 4(32)).

(34) Deferred revenue

	31 December 2018	Increase in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2019 (Unaudited)	Reason
Government grants (a)	<u>205,830,431</u>	<u>6,000,000</u>	<u>(5,152,127)</u>	<u>206,678,304</u>	Support funds for smart port pilot project etc.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(34) Deferred revenue (Continued)

(a) Government grants

	31 December 2018	Increase in current period (Unaudited)	Recorded in other income in the current period (Unaudited)	Recorded in non- operating income in the current period (Unaudited)	30 June 2019 (Unaudited)	Assets related/income related
Special funds for outer channel (i)	131,361,476	-	(1,957,221)	-	129,404,255	Assets related
Special support fund (ii)	66,570,629	-	-	-	66,570,629	Assets related
Support funds for smart port pilot project (iii)	-	6,000,000	-	-	6,000,000	Assets related
Special subsidy for shore power projects (iv)	4,974,775	-	(271,355)	-	4,703,420	Assets related
Special funds for science and technology	2,791,667	-	-	(2,791,667)	-	Income related
Others	131,884	-	-	(131,884)	-	Income related
	<u>205,830,431</u>	<u>6,000,000</u>	<u>(2,228,576)</u>	<u>(2,923,551)</u>	<u>206,678,304</u>	

- (i) The special funds for outer channel are granted by the Ministry of Transport and the Ministry of Finance to the Group to be used for outer channel expansion project, and are recognised into profit or loss on a straight-line basis over the useful lives of the asset.
- (ii) The special support fund is the project support fund received by Qingdao Port Jimo Port International Logistics Co., Ltd. ("Jimo Logistics") from the Jimo District Government of Qingdao according to the "Qingdao Port Jimo Port Investment Project Policy Support Agreement".
- (iii) The support fund of RMB6,000,000 for smart port pilot project is granted by the Ministry of Transport and the Ministry of Finance to port logistics e-commerce cloud service platform demonstration project of the Group.
- (iv) The special subsidy for shore power projects is granted by the Ministry of Transport and the Ministry of Finance to berth shore power projects.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(35) Long-term employee benefits payable

	30 June 2019 (Unaudited)	31 December 2018
Early retirement benefits payable (a)	78,650,000	85,930,000
Supplemental retirement benefits (b)	2,446,440,000	2,540,220,000
Less: Current portion	<u>(129,080,000)</u>	<u>(128,520,000)</u>
	<u>2,396,010,000</u>	<u>2,497,630,000</u>

Early retirement benefits represent the Group's actuarial assumptions of early retirement benefits to be paid for the early retired employees from the off-duty date to the normal retirement date by discounting the expected future cash outflows using the interest rate of government bonds that have terms to maturity approximating to the terms of the early retirement benefits and are recognised as liabilities. Supplemental retirement benefits represent the Group's actuarial assumptions of benefits to be paid by discounting the expected future cash outflows using interest rate of government bonds that have terms to maturity approximating to the terms of the supplemental retirement benefits and are recognised as liabilities.

Early retirement benefits payable within one year are recorded in employee benefits payable.

(a) Early retirement benefits of the Group:

	30 June 2019 (Unaudited)	31 December 2018
Early retirement benefits	78,650,000	85,930,000
Less: Current portion	<u>(14,810,000)</u>	<u>(16,370,000)</u>
	<u>63,840,000</u>	<u>69,560,000</u>

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

(b) Supplemental retirement benefits of the Group:

	30 June 2019 (Unaudited)	31 December 2018
Supplemental retirement benefits	2,446,440,000	2,540,220,000
Less: Current portion	<u>(114,270,000)</u>	<u>(112,150,000)</u>
	<u>2,332,170,000</u>	<u>2,428,070,000</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(35) Long-term employee benefits payable (Continued)

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

	Early retirement benefits	Supplemental retirement benefits
1 January 2019	85,930,000	2,540,220,000
Amount recognised in profit or loss for the current period (Unaudited)		
– Service cost	–	1,900,000
– Net interest expense on the net obligations	1,320,000	44,100,000
Re-measurement amount (Unaudited)		
– Actuarial loss/(gains) for the current period	990,000	(94,070,000)
Payment of benefits (Unaudited)	<u>(9,590,000)</u>	<u>(45,710,000)</u>
30 June 2019 (Unaudited)	<u>78,650,000</u>	<u>2,446,440,000</u>
	Early retirement benefits	Supplemental retirement benefits
1 January 2018	109,490,000	2,380,610,000
Amount recognised in profit or loss for the current period (Unaudited)		
– Service cost	–	1,710,000
– Net interest expense on the net obligations	1,960,000	49,360,000
Re-measurement amount (Unaudited)		
– Actuarial loss for the current period	2,390,000	145,800,000
Payment of benefits (Unaudited)	<u>(12,850,000)</u>	<u>(47,090,000)</u>
30 June 2018 (Unaudited)	<u>100,990,000</u>	<u>2,530,390,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(35) Long-term employee benefits payable (Continued)

- (d) Liabilities of early retirement benefits and supplemental retirement benefits as at the balance sheet date of the Group are calculated using projected unit credit method. Significant actuarial assumptions used are as follows:

	30 June 2019 (Unaudited)	31 December 2018
Discount rate – early retirement benefits	3.00%	3.25%
Discount rate – supplemental retirement benefits	3.75%	3.50%
Salary and welfare growth rate – early retirement benefits	10%	10%
Jinglao allowance growth rate – supplemental retirement benefits	5%	5%
Fushou allowance growth rate – supplemental retirement benefits	3%	3%

For the six months ended 30 June 2019 and 2018, the assumption for future mortality rate is based on the statistics of the China Life Annuitant Mortality Table (2010-2013) translated forward by three years. The actuarial assumptions are analysed as follows:

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Early retirement benefits -		
Average age	53.6	54.1
Average expected future time until legally retirement	3.7	3.5
Supplemental retirement benefits -		
Average age	53.3	52.5
Average residual expected future entire duration	29.6	30.5

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(35) Long-term employee benefits payable (Continued)

- (e) The sensitivity analysis of the principal actuary assumptions adopted in the present value of the defined benefit liability of the Group is as follows:

	Change in assumption	Impact on present value of defined benefit liability	
		Increase in assumption (Unaudited)	Decrease in assumption (Unaudited)
Discount rate – early retirement benefits	0.25%	1.18% down	1.16% up
Discount rate – supplemental retirement benefits	0.25%	3.09% down	3.06% up
Salary and welfare growth rate – early retirement benefits	1%	4.21% up	3.79% down
Jinglao allowance growth rate – supplemental retirement benefits	1%	5.45% up	4.64% down
Fushou allowance growth rate – supplemental retirement benefits	1%	4.20% up	3.47% down

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the projected unit credit method has been applied.

- (f) As at 30 June 2019, expected maturity analysis of undiscounted defined benefit liability is as follows (unaudited):

	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Early retirement benefits	14,810,000	12,560,000	24,590,000	40,890,000	92,850,000
Supplemental retirement benefits	114,270,000	118,510,000	376,210,000	3,601,610,000	4,210,600,000
	<u>129,080,000</u>	<u>131,070,000</u>	<u>400,800,000</u>	<u>3,642,500,000</u>	<u>4,303,450,000</u>

- (g) Early retirement benefits and supplemental retirement benefits expose the Group to various risks, of which the main risk is the risk of change in interest rate of government bonds. Decline in interest rate of government bonds will lead to increase in liabilities.
- (h) Early retirement benefits and supplemental retirement benefits recognised in profit or loss for the current period are as follows:

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
General and administrative expenses	2,890,000	4,100,000
Financial expenses	45,420,000	51,320,000

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(36) Other non-current liabilities

	30 June 2019 (Unaudited)	31 December 2018
Lease payments collected in advance	<u>2,781,544,120</u>	<u>2,884,204,561</u>

Lease payments collected in advance mainly comprise port facilities lease payments collected in advance from related party QQCT, dock basin lease payments collected in advance from Qingdao Qianwan Container Terminal Co., Ltd (“QQCTN”) and Qingdao Qianwan United Container Terminal Co., Ltd (“QQCTU”) with a period of 30 years and Qianwan Port area storage yard lease payment collected in advance from Kubo International Mining Co., Ltd with a period of 3 years.

(37) Share capital

	31 December 2018	Movement in the current period (Unaudited)					Sub-total	30 June 2019 (Unaudited)
		New issue of shares	Share donation	Transfer from reserves	Other			
Foreign shares issued overseas	1,099,025,000	-	-	-	-	-	1,099,025,000	
RMB denominated common stock	<u>4,937,699,000</u>	<u>454,376,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>454,376,000</u>	5,392,075,000	
	<u>6,036,724,000</u>	<u>454,376,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>454,376,000</u>	6,491,100,000	

	31 December 2017	Movement in the current period (Unaudited)					Sub-total	30 June 2018 (Unaudited)
		New issue of shares	Share donation	Transfer from reserves	Other			
Foreign shares issued overseas	1,099,025,000	-	-	-	-	-	1,099,025,000	
RMB denominated common stock	<u>4,937,699,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,937,699,000</u>	
	<u>6,036,724,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	6,036,724,000	

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(37) Share capital (Continued)

According to Circular 434 of the China Securities Regulatory Commission on the approval of Qingdao Port International Co., Ltd. for the issuance of overseas listed foreign shares, the company completed the first issue of 705,800,000 overseas issuance of foreign shares to foreign investors on 6 June 2014. For the work of H-shares, the issue price per share was HKD3.76 (approximately RMB2.98), and the share capital increased to 4,705,800,000 shares after the issue. On 2 July 2014, the Company exercised the over-allotment option and completed the issuance of 72,404,000 shares of foreign-invested H-shares issued overseas. The issue price per share was HK\$3.76 (approximately RMB2.99), and the excess was exercised. After the placement option, the share capital increased to 4,778,204,000 shares. The above funds were verified by Xinyong Zhonghe Certified Public Accountants Co., Ltd. (Special General Partnership) Co., Ltd. and issued a capital verification report numbered XYZH/2014QDA2002.

The Company completed the placement of 243,000,000 new H-shares on 18 May 2017 at a placing price of HKD4.32 (approximately equivalent to RMB3.81) per share. The share capital increased to 5,021,204,000 shares upon completion of the placement. The above-mentioned capital has been verified by PricewaterhouseCoopers Zhong Tian LLP with capital verification report of PwC ZT Yan Zi (2017) No. 527 issued accordingly.

The Company determined private placement of 1,015,520,000 Domestic Shares on 22 May 2017 to Shanghai China Shipping Terminal Development Co, Ltd. at a subscription price of RMB5.71 per share. Upon completion of the private placement of Domestic Shares, the share capital increased to RMB6,036,724,000. The above-mentioned capital has been verified by PricewaterhouseCoopers Zhong Tian LLP with capital verification report of PwC ZT Yan Zi (2017) No. 526 issued accordingly.

On 21 January 2019, the Company completed the initial public offering of 454,376,000 ordinary shares (A shares) with a par value of RMB1.00 per share at the issuing price of RMB4.61 per share. After the completion of the issuance of A shares, the number of total share capital of the Company increased to 6,491,100,000 shares. The above funds were verified by PricewaterhouseCoopers Zhong Tian LLP with capital verification report of PwC ZT Yan Zi (2019) No.0026 issued accordingly.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(38) Capital surplus

	31 December 2018	Increase in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2019 (Unaudited)
Share premium -				
Capital premium contributed by				
Qingdao Port Group (a)	7,052,279,474	-	-	7,052,279,474
Capital premium contributed by				
Other Promoters (a)	783,586,608	-	-	783,586,608
Issue of new shares (b)	7,012,559,612	1,640,297,360	-	8,652,856,972
Shares issue expenses (b)	(126,431,506)	(115,743,592)	-	(242,175,098)
Reversal of revaluation appreciation effect				
from business combination involving				
enterprises under common control	(4,830,045,213)	-	-	(4,830,045,213)
Income tax effect recognised from				
revaluation appreciation	887,819,497	-	-	887,819,497
Business combination involving enterprises				
under common control	(18,103,678)	-	-	(18,103,678)
Other capital surplus -				
Share of changes in equity other than				
comprehensive income and profit				
distribution of investees under the				
equity method	16,303,999	12,143,196	-	28,447,195
	<u>10,777,968,793</u>	<u>1,536,696,964</u>	<u>-</u>	<u>12,314,665,757</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(38) Capital surplus (Continued)

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(38) Capital surplus (Continued)

- (a) The Company is a stock limited company jointly established by Qingdao Port Group and Other Promoters. The assets and liabilities as well as cash at bank and on hand contributed by Qingdao Port Group amounted to RMB10,252,279,474 and RMB400,000,000 respectively, which were approved by Qingdao SASAC. Cash at bank and on hand contributed by Other Promoters amounted to RMB1,183,586,608. The contribution amounted to RMB11,835,866,082 in total, including share capital of RMB4,000,000,000 (4,000,000,000 shares, par value at RMB1) and capital surplus of RMB7,835,866,082.
- (b) The Company issued 705,800,000 foreign-listed H-shares overseas at its initial public offering on 6 June 2014. The amount of raised capital less capitalized listing expenses is RMB1,995,921,171, including share capital of RMB705,800,000 (705,800,000 shares, par value at RMB1) and capital surplus of RMB1,290,121,171. The Company exercised over-allotment option on 2 July 2014 and increased issuance of 72,404,000 foreign-listed H-shares overseas. The amount raised in over-allotment is RMB216,167,727, including share capital of RMB72,404,000 (72,404,000 shares, par value at RMB1) and capital surplus of RMB143,763,727.

The Company completed placement of 243,000,000 new H-shares on 18 May 2017. The amount of raised capital less capitalized issuance expenses is RMB912,553,972, including share capital of RMB243,000,000 (243,000,000 shares, par value at RMB1) and capital surplus of RMB669,553,972.

The Company completed proposed subscription of 1,015,520,000 Domestic Shares on 22 May 2017. The amount of the consideration of Domestic Shares less capitalized listing expenses is RMB5,798,209,236, including share capital of RMB1,015,520,000 (1,015,520,000 shares, par value at RMB1) and capital surplus of RMB4,782,689,236.

On 21 January 2019, the Company completed the initial public offering of 454,376,000 ordinary shares (A shares). The amount of raised capital less capitalised issuance expenses was RMB1,978,929,768, including share capital of RMB454,376,000 (454,376,000 shares, par value at RMB1), and capital surplus of RMB1,524,553,768.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(39) Other comprehensive income

	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement for the six months ended 30 June 2019		
	31 December 2018 (Unaudited)	Attributable to the parent company after tax (Unaudited)	30 June 2019 (Unaudited)	Amount incurred before income tax for the current period (Unaudited)	Attributable to the parent company after tax (Unaudited)	Attributable to minority interests, net of tax (Unaudited)
Other comprehensive income items which will not be reclassified to profit or loss						
Amount changes arising from						
remeasurement of defined benefit plans	121,017,700	93,986,921	215,004,621	94,070,000	93,986,921	83,079
Other comprehensive income that will be subsequently reclassified to profit or loss						
Fair value changes in other debt investments	12,676,488	(6,851,158)	5,825,330	(9,787,369)	(6,851,158)	(2,936,211)
	<u>133,694,188</u>	<u>87,135,763</u>	<u>220,829,951</u>	<u>84,282,631</u>	<u>87,135,763</u>	<u>(2,853,132)</u>

	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement for the six months ended 30 June 2018		
	31 December 2017 (Unaudited)	Attributable to the parent company after tax (Unaudited)	30 June 2018 (Unaudited)	Amount incurred before income tax for the current period (Unaudited)	Attributable to the parent company after tax (Unaudited)	Attributable to minority interests, net of tax (Unaudited)
Other comprehensive income items which will not be reclassified to profit or loss						
Amount changes arising from						
remeasurement of defined benefit plans	283,865,500	(145,434,629)	138,430,871	(145,800,000)	(145,434,629)	(365,371)
Other comprehensive income that will be subsequently reclassified to profit or loss						
Fair value changes in other debt investments	-	5,966,112	5,966,112	8,523,017	5,966,112	2,556,905
	<u>283,865,500</u>	<u>(139,468,517)</u>	<u>144,396,983</u>	<u>(137,276,983)</u>	<u>(139,468,517)</u>	<u>2,191,534</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(40) Surplus reserve

	31 December 2018	Appropriation in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2019 (Unaudited)
Statutory surplus reserve	<u>986,974,314</u>	<u>–</u>	<u>–</u>	<u>986,974,314</u>
	31 December 2017	Appropriation in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2018 (Unaudited)
Statutory surplus reserve	<u>673,990,310</u>	<u>–</u>	<u>–</u>	<u>673,990,310</u>

- (a) In accordance with *the Company Law* and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities.

(41) General risk reserve

	31 December 2018	Appropriation in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2019 (Unaudited)
General risk reserve	<u>298,283,806</u>	<u>–</u>	<u>–</u>	<u>298,283,806</u>
	31 December 2017	Appropriation in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2018 (Unaudited)
General risk reserve	<u>226,359,871</u>	<u>–</u>	<u>–</u>	<u>226,359,871</u>

Pursuant to the notice in Cai Jin [2012] No.20 *Administrative Measures for the Provision of Reserves of Financial Enterprises* issued by the Ministry of Finance, financial enterprises shall make appropriation to general reserve for risk assets. The general reserve should not be less than 1.5% of the ending balance of risk assets, and the minimum threshold can be accumulated over a period of no more than five years. As at 30 June 2019, the general reserve of the Company's subsidiary, Qingdao Finance, has reached 1.5% of the balance of the year-end risk assets.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(42) Undistributed profits

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Undistributed profits at beginning of period	8,742,614,209	5,534,036,517
Add: Attributable to equity holders of the Company	2,008,021,219	1,907,922,809
Less: Profit distribution to shareholders (a)	<u>(2,464,670,670)</u>	<u>–</u>
Undistributed profits at the end of the period	<u>8,285,964,758</u>	<u>7,441,959,326</u>

- (a) According to the resolution of the Board of Directors' meeting on 28 March 2019 and the annual shareholders meeting on 17 May 2019, the Company proposed to distribute cash dividends of 2017 and 2018 to all shareholders at RMB379.70 per thousand shares (including tax). Based on the 6,491,100,000 shares issued, the proposed dividends are RMB2,464,670,670. As at 30 June 2019, the dividends payable deducting income tax for H-share corporation amounted to RMB2,423,218,329.

For the six months ended 30 June 2019, the Board of Directors has not announced to distribute mid-year dividends (For the six months ended 30 June 2018: nil).

(43) Revenue and cost of sales

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Revenue from main operations	5,452,041,956	5,160,165,744
Revenue from other operations	<u>547,740,024</u>	<u>578,702,653</u>
	<u>5,999,781,980</u>	<u>5,738,868,397</u>
	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Cost of sales from main operations	(3,631,086,209)	(3,441,059,285)
Cost of sales from other operations	<u>(289,634,430)</u>	<u>(329,670,662)</u>
	<u>(3,920,720,639)</u>	<u>(3,770,729,947)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(43) Revenue and cost of sales (Continued)

(a) Revenue and cost of sales from main operations

	Six months ended 30 June 2019 (Unaudited)		Six months ended 30 June 2018 (Unaudited)	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
Container handling and ancillary services	106,667,918	(36,610,273)	112,733,249	(34,371,658)
Metal ore, coal and other cargo handling and ancillary services	1,364,329,816	(984,171,004)	1,498,220,259	(1,128,796,439)
Liquid bulk cargo handling and ancillary services	690,917,444	(181,941,874)	440,584,628	(133,117,981)
Logistics and port value-added services	2,441,081,397	(1,673,820,187)	2,698,523,075	(1,780,021,328)
Port ancillary services – construction, labor and construction of port machinery	849,045,381	(754,542,871)	410,104,533	(364,751,879)
	<u>5,452,041,956</u>	<u>(3,631,086,209)</u>	<u>5,160,165,744</u>	<u>(3,441,059,285)</u>

(b) Revenue and cost of sales from other operations

	Six months ended 30 June 2019 (Unaudited)		Six months ended 30 June 2018 (Unaudited)	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Lease revenue (i)	171,413,740	(80,603,524)	160,903,279	(87,734,975)
Port ancillary service – sales of fuel, electricity and others	372,358,999	(208,519,856)	414,274,600	(241,427,200)
Financial services	3,967,285	(511,050)	3,524,774	(508,487)
	<u>547,740,024</u>	<u>(289,634,430)</u>	<u>578,702,653</u>	<u>(329,670,662)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(43) Revenue and cost of sales (Continued)

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

- (i) The Group's rental income is from leasing port facilities, storage facilities, buildings, machinery and equipment and motor vehicles. For the six months ended 30 June 2019, there's no variable rental income recognised based on the certain percentage of the lessee's sales amount.

For the six months ended 30 June 2019, among the above revenue categories, except for contract obligations of partial port ancillary services like sales of fuel, electricity and others are satisfied at a point in time and leasing rental income, the remaining contract obligations are satisfied over time.

As at 30 June 2019, the amounts of revenue corresponding to contract obligations that were signed but not fulfilled or not completely fulfilled were RMB135,723,009. It is expected that all of it will be recognised within 1 year.

(44) Taxes and surcharges

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)	Calculation and payment standard
Land use tax	25,719,799	26,756,190	3.2 -11.2 yuan/Square meter/year
City maintenance and construction tax	7,092,675	10,983,563	7%
Educational surcharge	5,074,055	7,824,360	3%
Stamp duty	3,944,091	2,725,923	Proportional tax rate, Norm quota tax rate
Property tax	2,927,839	2,597,139	Levied on prices and values
Others	7,559,696	9,091,950	
	<u>52,318,155</u>	<u>59,979,125</u>	

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(45) General and administrative expenses

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Employee benefits	168,183,465	122,325,725
Depreciation of fixed assets	11,601,694	9,599,953
Fuel and utility fees	9,598,727	5,150,624
Intermediary service fee	6,705,463	6,161,254
Consumption of other raw materials	6,529,193	5,541,987
Repair expenses	6,178,291	2,459,291
Amortization of intangible assets	4,092,467	3,554,741
Lease fee	2,809,527	3,230,251
Others	46,102,234	42,285,793
	<u>261,801,061</u>	<u>200,309,619</u>

(46) Financial expenses – net

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Interest costs	99,621,941	112,854,657
Less: Capitalized interest	(490,194)	(3,465,435)
Add: Interest expense for lease liabilities	16,872,179	—
	<u>116,003,926</u>	<u>109,389,222</u>
Less: Interest income	(260,939,156)	(233,945,178)
Effect of actuarial calculation of employee benefits	45,420,000	51,320,000
Exchange gains or losses	(8,073,430)	(15,259,554)
Others	1,509,128	1,391,197
	<u>(106,079,532)</u>	<u>(87,104,313)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(47) Expenses by nature

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

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Subcontract cost	995,480,094	1,094,732,769
Employee benefits	976,049,857	874,688,527
Cost for outsourcing transportation	800,337,082	816,809,196
Depreciation of fixed assets	345,435,414	326,548,046
Consumption of raw materials in construction contract	339,074,122	188,405,696
Fuel and utility fees	156,052,074	123,964,498
Cost of sales for fuel and electricity	150,555,867	176,092,160
Consumption of other raw materials	147,931,160	123,079,049
Rental expenses (i)	106,750,067	107,742,516
Repair expense	39,921,908	37,486,420
Depreciation of right-of use assets	35,241,610	-
Amortization of intangible assets	30,126,794	23,565,595
Amortization of long-term prepaid expenses	7,730,956	7,457,771
Auditor's fee	4,371,455	3,928,642
- Audit service	4,362,021	3,919,279
- Non-audit services	9,434	9,363
Depreciation of investment properties	2,445,573	2,478,590
Consulting fee	2,334,009	2,233,725
Others	65,296,384	81,771,705
	<u>4,205,134,426</u>	<u>3,990,984,905</u>

- (i) As stated in Note 2(26), since 1 January 2019, lease expense incurred by short-term lease and low-value lease is recorded in current profit or loss. As of the six months ended on 30 June 2019, the amount is RMB106,750,067.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(48) Other income

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)	Asset related/ Income related
Development support funds related to daily operations	70,445,093	13,487,001	Income related
Additional deduction of VAT input	3,071,301	–	Income related
Special funds for outer route	1,957,221	1,957,221	Asset related
Employment stabilization subsidies	1,780,317	–	Income related
Other government grants	371,355	–	Asset/Income related
	<u>77,625,287</u>	<u>15,444,222</u>	

For the six months ended 30 June 2019 and for six months ended 30 June 2018, other income was included in the non-recurring profit or loss of the year.

(49) Investment income

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Investment income from long-term equity investments under equity method	714,286,642	661,265,215
Interest income from holding of other debt investment	23,761,093	8,229,439
Interest income from holding of debt investments	21,181,415	60,893,674
Investment income from holding of financial assets held for trading	15,052,610	16,259,134
Investment income from disposal of financial assets held for trading	–	2,019,189
Investment loss arising from the re-measurement of the long-term equity investment originally held by the business combination in a step-by-step method	–	(791,577)
Investment income from disposal of long-term equity investments	522,168	159,536
	<u>774,803,928</u>	<u>748,034,610</u>

There is no significant restriction on the Group's recovery of investment income.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(50) Impairment loss on credit

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Provision for bad debts of notes receivable	5,185,537	3,664,674
Provision for bad debts of accounts receivable	14,626,009	14,118,981
Provision for bad debts of other receivables	3,054,842	8,409,375
Provision for bad debts of long-term receivables	(6,999,138)	(37,781,840)
Provision for impairment loss of contract assets	5,352,548	(12,092,941)
	<u>21,219,798</u>	<u>(23,681,751)</u>

(51) Non-operating income

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Government grants (i)	2,941,554	2,076,500
Commission income from collection of port construction fee (ii)	7,108,370	7,243,070
Others	689,959	371,444
	<u>10,739,883</u>	<u>9,691,014</u>

For the six months ended 30 June 2019 and for six months ended 30 June 2018, non-operating income was included in the non-recurring profit or loss of the year.

(i) Details of government grants

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)	
Science and technology awards	2,791,667	300,000	Income related
Bonus for attracting businesses and investment	-	800,000	Income related
Other government grants	149,887	976,500	Asset/Income related
	<u>2,941,554</u>	<u>2,076,500</u>	

(ii) According to the *Administrative Measures for the Collection and Use of Port Construction Fees* jointly released by the Ministry of Finance and the Ministry of Communications, the Group collects commission fees at 1% of the port construction fee.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(52) Income tax expenses

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Current income tax calculated based on tax law and related regulations	488,532,874	516,769,961
Deferred income tax	22,801,089	5,883,921
	<u>511,333,963</u>	<u>522,653,882</u>

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

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Total profit	<u>2,689,320,225</u>	<u>2,582,537,438</u>
Income tax expenses calculated at applicable tax rates	672,330,056	645,634,360
The effect of preferential tax rates	(6,015,321)	(2,743,211)
Investment income not subject to tax	(178,571,661)	(165,316,304)
Additional deduction of employee benefits of the disabled	(547,041)	(866,068)
Costs, expenses and losses not deductible for tax purposes	14,427,815	39,055,807
Deductible losses not recognised as deferred tax assets in the current period	<u>9,710,115</u>	<u>6,889,298</u>
Income tax expenses	<u>511,333,963</u>	<u>522,653,882</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(53) Earnings per share

(a) Basic earnings per share

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

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Consolidated net profit attributable to ordinary shareholders of the Company	2,008,021,219	1,907,922,809
Weighted average number of ordinary shares outstanding	<u>6,415,370,667</u>	<u>6,036,724,000</u>
Basic earnings per share	<u>0.31</u>	<u>0.32</u>
Including:		
– Basic earnings per share from continuing operations	0.31	0.32
– Basic earnings per share from discontinued operations	–	–

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares for the six months ended 30 June 2019 (for the six months ended 30 June 2018: nil), diluted earnings per share equal to basic earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(54) Notes to the cash flow statement

(a) Cash received relating to other operating activities

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Lease payments received	94,505,399	138,353,781
Interest from cash at bank	84,336,886	6,685,098
Logistics business fees collected on behalf	83,944,220	–
Government grants	81,414,714	15,263,501
Railage collected on behalf	19,299,947	75,829,830
Port construction fees collected on behalf	11,765,640	–
Commission of port construction fees	7,108,370	7,243,070
Receipt of deposits and guarantees	6,587,112	18,395,114
Recovery of advance payment for agency payment	–	58,120,474
Others	689,959	369,781
	<u>389,652,247</u>	<u>320,260,649</u>

(b) Cash paid relating to other operating activities

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Advance payment for agency purchase	327,885,552	–
Office expenses and entertainment expenses	14,393,203	19,954,997
Intermediary service fee	6,705,463	6,162,367
Bank service charge	1,509,128	1,391,197
Logistics business fees paid on behalf	–	24,711,568
Others	31,202,629	22,473,636
	<u>381,695,975</u>	<u>74,693,765</u>

(c) Cash received relating to other investing activities

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Recovery of loans provided to related parties and third parties	1,749,032,830	4,972,848,751
Cost reimbursement for sea reclamation	218,725,300	–
Recovery of statutory deposit reserve by Qingdao Finance	376,029,938	–
	<u>2,343,788,068</u>	<u>4,972,848,751</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(54) Notes to the cash flow statement (Continued)

(d) Cash paid relating to other investing activities

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Provision of loans to related parties and third parties	1,785,786,284	3,019,342,904
Statutory deposit reserve deposited by Qingdao Finance	-	80,648,420
	<u>1,785,786,284</u>	<u>3,099,991,324</u>

(e) Cash received relating to other financing activities

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Deposits received by Qingdao Finance	<u>645,362,843</u>	-

(f) Cash paid relating to other financing activities

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Repayment of lease liability	69,295,803	-
Decrease in deposit received by Qingdao Finance	-	3,397,131,091
Repayment of principal and interest of finance leases	-	27,842,279
	<u>69,295,803</u>	<u>3,424,973,370</u>

For the six months ended 30 June 2019, the Group's total cash outflow related to leases is RMB174,726,781. Except for the above repayment of lease liabilities recognised in financing activities, the other cash outflows are all recognised in operating activities.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(55) Supplementary information to the cash flow statement

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

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Net profit	2,177,986,262	2,059,883,556
Add: Reversal of credit impairment loss	21,219,798	(23,681,751)
Depreciation of right-of-use assets	35,241,610	–
Depreciation of fixed assets and investment properties	347,880,987	329,026,636
Amortization of intangible assets	30,126,794	23,565,595
Amortization of long-term prepaid expenses	7,730,956	7,457,771
Amortization of deferred income	(5,152,127)	(2,257,221)
Gains/(loss) on disposal of fixed assets, intangible assets and other non-current assets	1,213,416	(28,648,141)
Income on changes in fair value	(2,663,358)	(1,659,606)
Investment income	(774,803,928)	(687,377,868)
Decrease in deferred tax assets	22,801,089	5,883,921
Financial expenses	(21,073,829)	(140,007,368)
(Increase)/decrease in inventories and contract assets	(216,189,630)	193,371,058
Increase in operating receivables	(858,959,919)	(832,232,001)
Increase in operating payables	201,698,503	273,930,464
Net cash flows from operating activities	<u>967,056,624</u>	<u>1,177,255,045</u>

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

Endorsement of notes receivable

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Goods and services purchased by endorsement of notes receivable	<u>844,123,740</u>	<u>838,245,386</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(55) Supplementary information to the cash flow statement (Continued)

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

(i) Endorsement of notes receivable

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Long-term assets acquired by endorsement of notes receivable	<u>23,914,256</u>	<u>38,123,406</u>

(ii) Lease

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Increase of right-of-use assets in the current period	122,514,004	–
Finance lease assets	<u>–</u>	<u>80,490,178</u>
	<u>122,514,004</u>	<u>80,490,178</u>

(d) Net movements in cash

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Cash at the end of the period	7,310,283,953	4,401,231,916
Less: Cash at the beginning of the period	<u>(4,014,278,650)</u>	<u>(6,362,939,502)</u>
Net increase/(decrease) in cash	<u>3,296,005,303</u>	<u>(1,961,707,586)</u>

(e) Cash

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Cash at bank and on hand (Note 4(1))	11,376,939,312	8,077,972,498
Less: Term deposits with initial term of over 3 months	(3,507,687,561)	(3,128,746,064)
Other restricted cash balance	<u>(558,967,798)</u>	<u>(934,947,784)</u>
Cash at the end of the period	<u>7,310,283,953</u>	<u>4,014,278,650</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(56) Monetary items denominated in foreign currencies

	30 June 2019 (Unaudited)		
	Foreign currencies balance	Conversion rate	RMB balance
Cash at bank and on hand -			
USD	159,080,976	6.8747	1,093,633,986
HKD	68,612	0.8797	60,355
EUR	25,118	7.8170	196,345
			<u>1,093,890,686</u>
Accounts receivable -			
USD	43,054,144	6.8747	295,984,320
Advances to suppliers -			
USD	8,187,658	6.8747	56,287,693
Accounts payable -			
USD	18,473,066	6.8747	126,996,788
Advances from customers -			
USD	2,757,371	6.8747	18,956,100
Long-term borrowings -			
EUR	10,261,469	7.8170	80,213,903
Short-term borrowings -			
USD	43,846,545	6.8747	301,431,843

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For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(56) Monetary items denominated in foreign currencies (Continued)

	31 December 2018		
	Foreign currencies balance	Conversion rate	RMB balance
Cash at bank and on hand -			
USD	168,008,925	6.8632	1,153,078,854
HKD	196,260	0.8762	171,963
			<u>1,153,250,817</u>
Accounts receivables-			
USD	14,058,706	6.8632	96,487,714
JPY	5,046,467	0.0619	312,326
			<u>96,800,040</u>
Accounts payable-			
USD	8,585,469	6.8632	58,923,791
JPY	318,880	0.0619	19,735
			<u>58,943,526</u>
Long-term borrowings-			
EUR	10,261,469	7.8473	80,524,826
Short-term borrowings -			
USD	6,535,351	6.8632	44,853,424

Monetary items denominated in foreign currencies above means all currencies except RMB. (Its range is different from Note 13(1)(a)).

5 CHANGES OF THE SCOPE OF CONSOLIDATION

(1) Changes in scope of combinations due to other reasons

On 26 February 2019, the Group deregistered its wholly-owned subsidiary Qingdao Hongyu Cargo Agency Co., Ltd. ("Hongyu Cargo Agency"), with income from liquidation of RMB522,168.

Please refer to Note 6(1)(a) for the details of the subsidiaries mentioned above.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY INTEREST IN OTHER ENTITIES

(1) Equity interest in subsidiaries

(a) Constitution of the enterprise group

	Category of entity	Major business location	Place of registration	Principal activities	Shareholding		Voting rights	Acquisition method
					Direct	Indirect		
QDP Logistics	Limited Liability Company	Qingdao, China	Qingdao, China	Integrated logistics	100%	-	100%	Set-up or investment
Qingdao GLS Shipping Co., Ltd. ("GLS Shipping")	Limited Liability Company	Qingdao, China	Qingdao, China	Shipping agency	100%	-	100%	Set-up or investment
Ocean Shipping Repair	Limited Liability Company	Qingdao, China	Qingdao, China	Shipping repair services	100%	-	100%	Set-up or investment
Qingdao Port (Group) Engineering Co., Ltd. ("Qingdao Port Engineering")	Limited Liability Company	Qingdao, China	Qingdao, China	Engineering & construction	100%	-	100%	Set-up or investment
Port Engineering Design Institute	Limited Liability Company	Qingdao, China	Qingdao, China	Engineering design service	-	100%	100%	Set-up or investment
Qingdao Ocean Shipping Tally Co., Ltd. ("Ocean Shipping Tally")	Limited Liability Company	Qingdao, China	Qingdao, China	Ocean shipping tally services	84%	-	84%	Set-up or investment
Qingdao Gangjia Logistics Co., Ltd. ("Gangjia Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Logistics services	51%	-	51%	Set-up or investment
Gangrong Storage	Limited Liability Company	Qingdao, China	Qingdao, China	Storage service	100%	-	100%	Set-up or investment
Qingdao Port Passenger Terminal Duty Free Merchandise Co., Ltd. ("Duty-free Merchandise")	Limited Liability Company	Qingdao, China	Qingdao, China	Sales of duty free merchandise	100%	-	100%	Set-up or investment
Datang Port	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo handling services	51%	-	51%	Business combinations involving enterprises not under common control
Mercuria Logistics (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo handling services	62%	-	60%	Business combinations involving enterprises not under common control
Mercuria Oil Terminal (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Storage service	71%	-	60%	Business combinations involving enterprises not under common control
Qingdao Port E-Link Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	-	65%	65%	Set-up or investment

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

(1) Equity interest in subsidiaries (Continued)

(a) Constitution of the enterprise group (Continued)

	Category of entity	Major business location	Place of registration	Principal activities	Shareholding		Voting rights	Acquisition method
					Direct	Indirect		
Qingdao Port International Trade Logistics Co., Ltd. ("International Trade Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Trade agency	-	60%	60%	Set-up or investment
Qingdao Port Eimskip Coldchain Logistics Co., Ltd. ("Eimskip Coldchain") (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Logistics services	70%	-	60%	Set-up or investment
Qingdao Finance	Limited Liability Company	Qingdao, China	Qingdao, China	Financial services	70%	-	70%	Set-up or investment
Qingdao Port Dongjiakou Bulk Cargo Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	-	51%	51%	Set-up or investment
Qingdao Yongli Insurance Agency Co., Ltd. ("Yongli Insurance")	Limited Liability Company	Qingdao, China	Qingdao, China	Insurance agency services	90%	10%	100%	Set-up or investment
Technology Company	Limited Liability Company	Qingdao, China	Qingdao, China	Technology services	100%	-	100%	Set-up or investment
Qingdao Port Properties Co., Ltd. ("Qingdao Port Properties")	Limited Liability Company	Qingdao, China	Qingdao, China	Property management	100%	-	100%	Set-up or investment
Culture Media	Limited Liability Company	Qingdao, China	Qingdao, China	Media services	100%	-	100%	Set-up or investment
Qingdao Port Jieyuntong Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	-	51%	51%	Set-up or investment
Qingdao Port Jiefeng International Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	-	51%	51%	Set-up or investment
Qingdao Port Lianjie International Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Container Freight Station ("CFS")	-	58%	58%	Set-up or investment
Qingdao Ganglianyu International Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	-	60%	60%	Set-up or investment
Qingdao Port Pulp Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	-	55%	55%	Set-up or investment
Qingdao City Qingdao Port Commodity Trading Center Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Trade agency	-	100%	100%	Business combination involving enterprises under common control

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For the six months ended 30 June 2019 (Unaudited)
(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

(1) Equity interest in subsidiaries (Continued)

(a) Constitution of the enterprise group (Continued)

	Category of entity	Major	Place of registration	Principal activities	Shareholding		Voting rights	Acquisition method
		business location			Direct	Indirect		
Qingdao Port International Development (Hong Kong) Co., Ltd. ("International Development")	Limited Liability Company	Qingdao, China	Qingdao, China	Investment management	100%	-	100%	Business combination involving enterprises under common control
Tongbao Shipping	Limited Liability Company	Qingdao, China	Qingdao, China	Logistics services	100%	-	100%	Set-up or investment
Qingdao Port Tongze Trading Co., Ltd. ("Tongze Trading")	Limited Liability Company	Qingdao, China	Qingdao, China	Sales of goods	100%	-	100%	Set-up or investment
DMT (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo handling services	80%	-	67%	Set-up or investment
Qingdao Port Svitzer Towage Co., Ltd. ("Svitzer Towage")	Limited Liability Company	Qingdao, China	Qingdao, China	Lightering services	55%	-	60%	Set-up or investment
Lianhua Pipeline	Limited Liability Company	Qingdao, China	Qingdao, China	Fuel storage	51%	-	51%	Set-up or investment
Qingdao Port Lianxin International Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	CFS service	-	58%	58%	Set-up or investment
Weifang Port Lianhua	Limited Liability Company	Weifang, China	Weifang, China	Fuel storage	-	100%	100%	Set-up or investment
Qingdao Port Qianwan Port Area Bonded Logistics Center Co., Ltd. ("Bonded Logistics Centre")	Limited Liability Company	Qingdao, China	Qingdao, China	Storage service	63%	37%	100%	Business combinations involving enterprises not under common control
Dongying Port Lianhua	Limited Liability Company	Dongying, China	Dongying, China	Fuel storage	-	70%	70%	Set-up or investment
Qingdao Port Dongjiakou Liquid Chemical Co., Ltd. ("Liquid Chemical Terminal")	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo handling services	100%	-	100%	Business combinations involving enterprises not under common control
Qingdao Port Lianhua Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	-	60%	60%	Set-up or investment
Qingdao Lianxing Tally Co, Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Ocean shipping tally services	-	100%	100%	Set-up or investment
Qingdao Gangyuntai Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	-	100%	100%	Business combinations involving enterprises not under common control

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

(1) Equity interest in subsidiaries (Continued)

(a) Constitution of the enterprise group (Continued)

	Category of entity	Major business location	Place of registration	Principal activities	Shareholding		Voting rights	Acquisition method
					Direct	Indirect		
Qingdao Port Lugang (Jiaozhou) International Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	-	100%	100%	Set-up or investment
Jimo Logistics	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	-	60%	60%	Set-up or investment
Qingdao Qianwan International Automobile Supply Chain Service Co., Ltd. ("Automobile Supply Chain")(i)	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	-	45%	60%	Set-up or investment
Qingdao Shengshi International Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	-	58%	58%	Set-up or investment
Shandong Qingdong Pipeline Co., Ltd. ("Qingdong Pipe")	Limited Liability Company	Qingdao, China	Qingdao, China	Oil pipeline transportation	51%	-	51%	Set-up or investment
Waili Testing	Limited Liability Company	Qingdao, China	Qingdao, China	Check and inspection	-	100%	100%	Set-up or investment
Qingdao Port Tongan Security Service Co., Ltd. ("Tongan Security")	Limited Liability Company	Qingdao, China	Qingdao, China	Security services	100%	-	100%	Set-up or investment
Dongying Qingdong Logistics Co., Ltd.	Limited Liability Company	Dongying, China	Dongying, China	Logistics services	-	100%	100%	Set-up or investment
Qingdao Bonded Port Area Tongda Oil & Gas Co., Ltd. ("Tongda Oil & Gas")	Limited Liability Company	Qingdao, China	Qingdao, China	LNG operation	100%	-	100%	Set-up or investment
Qingdao Tongan Environmental Protection Technology Co., Ltd. ("Tongan Environmental Protection")	Limited Liability Company	Qingdao, China	Qingdao, China	Environmental technology service	100%	-	100%	Set-up or investment
Shandong Qingzi Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Zibo, China	Logistics services Pipeline transportation	100%	-	100%	Set-up or investment

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

(1) Equity interest in subsidiaries (Continued)

(a) Constitution of the enterprise group (Continued)

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

As at 30 October 2014, the Company acquired 65% equity of Mercuria Oil Terminal through increase in capital and shares, and Mercuria Oil Terminal was treated as a subsidiary and included in the consolidation scope. As at 30 June 2019, the Company and minority shareholders have not completed capital contributions to Mercuria Oil Terminal, and the Company enjoys the rights and interests according to the actual percentage of shareholding of 71%. The decisions on Mercuria Oil Terminal's relevant operating activities are made by the resolution of the Board which subject to the approval of more than half of the directors who attend the Board's meeting. The Company can designate 3 out of 5 board members in Mercuria Oil Terminal, so the voting rights held by the Company is 60%.

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

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

The percentage of shareholding in Automobile Supply Chain held by QDP Logistics is 45%. The decisions on Automobile Supply Chain's relevant operating activities are made by the resolution of the Board which subject to the approval of more than half of the directors who attend the Board's meeting. QDP Logistics can designate 3 out of 5 board members in Automobile Supply Chain, so the voting rights held by QDP Logistics is 60%.

As at the six months ended 30 June 2019 and 2018, no share capital or debt securities are issued by the subsidiaries of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

(1) Equity interest in subsidiaries (Continued)

(b) Subsidiary with significant minority interests

Name of subsidiary	Shareholding of minority shareholders	Gains and losses attributable to minority interests for the six months ended 30 June 2019 (Unaudited)	Dividends declared to minority interests for the six months ended 30 June 2019 (Unaudited)	Minority interests 30 June 2019 (Unaudited)
Qingdao Finance	30%	33,569,535	-	606,351,495
Lianhua Pipeline (i)	49%	94,206,913	-	669,974,149

- (i) The main financial information of Lianhua Pipeline consists of Lianhua Pipeline and its subsidiaries Weifang Port Lianhua and Dongying Port Lianhua.

The main financial information of the above important non-wholly owned subsidiaries is as follows:

	30 June 2019 (Unaudited)		31 December 2018	
	Qingdao Finance	Lianhua Pipeline	Qingdao Finance	Lianhua Pipeline
Current assets	9,696,579,546	990,416,568	11,924,008,986	989,381,246
Non-current assets	3,703,776,165	3,134,106,739	2,963,118,464	3,104,090,322
Total assets	<u>13,400,355,711</u>	<u>4,124,523,307</u>	<u>14,887,127,450</u>	<u>4,093,471,568</u>
Current liabilities	(11,377,134,493)	(774,713,696)	(12,963,891,486)	(906,405,198)
Non-current liabilities	(2,049,564)	(2,097,631,918)	(4,175,392)	(2,119,487,570)
Total liabilities	<u>(11,379,184,057)</u>	<u>(2,872,345,614)</u>	<u>(12,968,066,878)</u>	<u>(3,025,892,768)</u>
	Six months ended 30 June 2019 (Unaudited)		Six months ended 30 June 2018 (Unaudited)	
	Qingdao Finance	Lianhua Pipeline	Qingdao Finance	Lianhua Pipeline
Revenue	159,796,013	441,531,873	264,474,006	184,834,415
Net profit	111,898,450	184,642,727	170,576,820	57,720,650
Total comprehensive income	111,898,450	184,642,727	179,099,837	57,720,650
Cash flows from operating activities	<u>674,533,129</u>	<u>322,985,651</u>	<u>(2,421,852,730)</u>	<u>39,041,510</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

(2) Interests in joint ventures and associates

(a) General information of material joint ventures

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

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

As at 30 June 2019, the above material joint ventures have no issued share capital or bonds.

(b) Summarized financial information of material joint ventures:

	30 June 2019 (Unaudited)		31 December 2018	
	Qingdao Shihua	QQCT	Qingdao Shihua	QQCT
Current assets	862,975,787	2,736,697,022	381,565,599	1,733,264,158
Including: Cash	651,653,264	1,908,014,627	290,177,262	1,048,244,716
Non-current assets	2,540,613,642	10,910,400,262	2,596,445,096	10,258,827,424
Total assets	<u>3,403,589,429</u>	<u>13,647,097,284</u>	<u>2,978,010,695</u>	<u>11,992,091,582</u>
Current liabilities	(134,156,719)	(3,351,246,902)	(121,918,329)	(1,874,420,294)
Non-current liabilities	-	(1,779,787,747)	-	(2,517,245,305)
Total liabilities	<u>(134,156,719)</u>	<u>(5,131,034,649)</u>	<u>(121,918,329)</u>	<u>(4,391,665,599)</u>
Minority interests	-	474,175,497	-	465,414,932
Attributable to shareholders of the Company	3,269,432,710	8,041,887,138	2,856,092,366	7,135,011,051

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

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

(b) Summarized financial information of material joint ventures (Continued):

Considering the impact of the fair value of identifiable assets and liabilities at acquisition (i):

	30 June 2019 (Unaudited)		31 December 2018	
	Qingdao Shihua	QQCT	Qingdao Shihua	QQCT
Current assets	—	2,736,697,022	—	1,733,264,158
Including: Cash	—	1,908,014,627	—	1,048,244,716
Non-current assets	—	11,595,606,877	—	10,995,552,934
Total assets	—	14,332,303,899	—	12,728,817,092
Current liabilities	—	(3,351,246,902)	—	(1,874,420,294)
Non-current liabilities	—	(1,951,089,401)	—	(2,701,426,683)
Total liabilities	—	(5,302,336,303)	—	(4,575,846,977)
Minority interests	—	481,112,379	—	472,351,814
Attributable to shareholders of the Company	—	8,548,855,217	—	7,680,618,301
Shares of net assets in proportion (i)	1,634,716,355	4,200,739,163	1,428,046,183	3,745,865,524
Adjustments				
– Goodwill	–	1,672,785,426	–	1,672,785,426
– Unrealized profits arising from internal transactions	(68,605,981)	(66,163,969)	(70,383,656)	(48,661,685)
Carrying amount of investment in joint ventures	1,566,110,374	5,804,403,411	1,357,662,527	5,369,989,265
	Six months ended		Six months ended	
	30 June 2019 (Unaudited)		30 June 2018 (Unaudited)	
	Qingdao Shihua	QQCT	Qingdao Shihua	QQCT
Revenue	838,063,408	1,929,353,213	936,663,317	1,811,901,560
Financial expenses	2,899,829	(64,606,750)	1,669,794	(62,953,849)
Income tax expenses	(115,547,511)	(256,688,164)	(101,888,660)	(253,121,202)
Net profit	402,075,823	903,522,384	359,241,165	853,680,428
Net profit attributable to the Company	402,075,823	894,851,971	359,241,165	842,457,435
Other comprehensive income	–	–	–	–
Total comprehensive income	402,075,823	894,851,971	359,241,165	842,457,435

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

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

(b) Summarized financial information of material joint ventures (Continued):

Considering the impact of the fair value of identifiable assets and liabilities at acquisition (i):

Net profit	—	864,883,213	—	814,009,462
Net profit attributable to the Company	—	856,212,800	—	802,786,470
Other comprehensive income	—	—	—	—
Total comprehensive income	—	<u>856,212,800</u>	—	<u>802,786,470</u>
Dividends received from joint ventures by the Group for the current period, as of six months ended on 30 June 2019	—	—	—	—
Dividends declared by joint ventures in the current period, as of six months ended on 30 June 2019	—	—	—	—

(i) The share of the net asset of the joint ventures was calculated by the share proportion of the Group, based on the equity attributable to shareholders of the joint ventures in the consolidated financial statement of the joint ventures, adjusted accordingly to the fair value of the identifiable assets and liabilities of the joint ventures at the acquisition date and conformed to accounting policies of the Group.

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

(d) Summarized financial information of insignificant joint ventures and associates

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Joint ventures:		
Aggregated carrying amount of investments	1,948,059,089	1,752,324,675
Aggregate of the following items in proportion		
Net profit (i)	76,590,739	76,332,261
Other comprehensive income (i)	—	—
Total comprehensive income	<u>76,590,739</u>	<u>76,332,261</u>
Associates:		
Aggregated carrying amount of investments	329,464,246	188,080,109
Aggregate of the following items in proportion		
Net profit (i)	7,828,425	1,128,133
Other comprehensive income (i)	—	—
Total comprehensive income	<u>7,828,425</u>	<u>1,128,133</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

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

(d) Summarized financial information of insignificant joint ventures and associates (Continued):

- (i) The net profit and other comprehensive income have taken into account the impacts of both the fair value of the identifiable assets and liabilities upon the acquisition of investment in joint ventures and associates and conformed to accounting policies of the Group.

(e) Unrecognised commitments in relation to investments in joint ventures and associate are set out in Note 10(2).

7 SEGMENT INFORMATION

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

The Group identified 6 reportable segments as follows:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

7 SEGMENT INFORMATION (Continued)

(a) Segment information for the six months ended 30 June 2019 and as at 30 June 2019 is listed as follows (Unaudited):

	Container handling and ancillary services	Metal ores, coal and other cargo handling and ancillary services	Liquid bulk handling and ancillary services	Logistics and port value-added services	Port ancillary services	Financial services	Unallocated	Elimination among segments	Total
Revenue from									
external customers	106,667,918	1,364,329,816	690,917,444	2,441,081,397	1,392,818,120	114,287,202	-	-	6,110,101,897
Inter-segment revenue	-	72,694,778	-	78,356,662	297,766,385	49,476,096	-	(498,293,921)	-
Cost of sales	(36,610,273)	(984,171,004)	(181,941,874)	(1,673,820,187)	(1,043,666,251)	(25,636,383)	-	-	(3,945,845,972)
Interest income	19,167	1,558,287	7,548,083	7,099,101	1,363,587	107,925,509	48,995,023	(23,889,518)	150,619,239
Interest expenses	(11,242,354)	(25,403,746)	(73,578,397)	(17,316,291)	(7,196,800)	-	(54,563,069)	98,422,064	(90,878,593)
Investment income									
from associates									
and joint ventures	456,937,833	33,302,813	207,244,917	31,587,697	533,583	5,030,487	-	(20,350,688)	714,286,642
Credit impairment losses	-	(4,965,256)	(5,386,744)	1,560,262	(18,988,929)	6,560,869	-	-	(21,219,798)
Depreciation and									
amortization	(10,430,706)	(123,292,469)	(107,010,455)	(74,596,480)	(93,603,430)	(1,215,845)	(10,830,962)	-	(420,980,347)
Total profit	507,531,580	276,240,640	630,287,821	773,541,858	250,479,478	286,843,054	58,394,086	(93,998,292)	2,689,320,225
Income tax expenses	-	(1,671,351)	(88,105,806)	(115,512,223)	(41,568,720)	(60,401,653)	(204,074,210)	-	(511,333,963)
Net profit	<u>507,531,580</u>	<u>274,569,289</u>	<u>542,182,015</u>	<u>658,029,635</u>	<u>208,910,758</u>	<u>226,441,401</u>	<u>(145,680,124)</u>	<u>(93,998,292)</u>	<u>2,177,986,262</u>
Total assets	<u>8,113,601,939</u>	<u>7,849,169,155</u>	<u>9,636,180,906</u>	<u>6,332,309,468</u>	<u>6,129,968,931</u>	<u>15,099,346,052</u>	<u>9,762,961,863</u>	<u>(10,263,411,130)</u>	<u>52,660,127,184</u>
Total liabilities	<u>709,668,531</u>	<u>2,850,379,445</u>	<u>4,701,226,233</u>	<u>3,149,420,868</u>	<u>6,114,833,117</u>	<u>11,363,666,294</u>	<u>5,000,000,457</u>	<u>(12,398,088,557)</u>	<u>21,491,106,388</u>
Non-cash									
expenses other									
than depreciation and									
amortization	<u>-</u>	<u>43,900,000</u>	<u>2,170,000</u>	<u>7,430,000</u>	<u>36,510,000</u>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>90,040,000</u>
Long-term equity									
investments in									
associates and									
joint ventures	<u>6,006,918,321</u>	<u>1,254,973,533</u>	<u>1,812,102,780</u>	<u>474,260,242</u>	<u>963,332</u>	<u>99,352,495</u>	<u>-</u>	<u>-</u>	<u>9,648,570,703</u>
Additions of									
non-current assets (i)	<u>1,185,676</u>	<u>87,666,329</u>	<u>598,175,273</u>	<u>56,944,271</u>	<u>131,144,031</u>	<u>191,611</u>	<u>15,661,618</u>	<u>(38,060,187)</u>	<u>852,908,622</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

7 SEGMENT INFORMATION (Continued)

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

	Container handling and ancillary services	Metal ores, coal and other cargo handling and ancillary services	Liquid bulk handling and ancillary services	Logistics and port value-added services	Port ancillary services	Financial services	Unallocated	Elimination among segments	Total
Revenue from external customers	112,733,249	1,498,220,259	440,584,628	2,698,523,075	985,282,412	229,156,784	-	-	5,964,500,407
Inter-segment revenue	-	41,172,113	-	88,630,299	328,054,217	38,841,997	-	(496,698,626)	-
Cost of sales	(34,371,658)	(1,128,796,439)	(133,117,981)	(1,780,021,328)	(693,914,054)	(41,622,963)	-	-	(3,811,844,423)
Interest income	-	1,899,841	1,415,524	7,375,701	1,298,494	151,324	98,449,186	(102,276,902)	8,313,168
Interest expenses	-	(26,786,106)	(54,494,781)	(10,693,857)	(5,906,802)	-	(71,167,608)	100,774,408	(68,274,746)
Investment income from associates and joint ventures	430,709,573	26,078,744	184,613,725	38,429,541	-	175,582	-	(18,741,950)	661,265,215
Credit impairment losses	(269,419)	(288,256)	755,154	(29,853,097)	15,461,803	12,170,566	25,705,000	-	23,681,751
Depreciation and amortization	(6,153,117)	(129,674,831)	(76,480,613)	(49,225,649)	(86,710,494)	(974,336)	(10,830,962)	-	(360,050,002)
Total profit	506,300,416	269,394,581	452,964,403	859,971,444	224,000,121	231,557,810	101,792,647	(63,443,984)	2,582,537,438
Income tax expenses	-	(1,470,489)	(43,181,420)	(199,961,650)	(19,392,843)	(56,935,252)	(201,712,228)	-	(522,653,882)
Net profit	<u>506,300,416</u>	<u>267,924,092</u>	<u>409,782,983</u>	<u>660,009,794</u>	<u>204,607,278</u>	<u>174,622,558</u>	<u>(99,919,581)</u>	<u>(63,443,984)</u>	<u>2,059,883,556</u>
Total assets	<u>6,345,867,692</u>	<u>9,046,203,838</u>	<u>8,156,201,406</u>	<u>4,631,041,752</u>	<u>6,356,581,484</u>	<u>12,666,767,572</u>	<u>11,261,145,655</u>	<u>(11,262,109,945)</u>	<u>47,201,699,454</u>
Total liabilities	<u>59,176,072</u>	<u>3,773,154,141</u>	<u>4,369,498,525</u>	<u>2,060,089,841</u>	<u>6,124,842,083</u>	<u>12,472,347,871</u>	<u>3,744,163,688</u>	<u>(12,631,704,840)</u>	<u>19,971,567,381</u>
Non-cash expenses other than depreciation and amortization	<u>-</u>	<u>26,120,000</u>	<u>1,080,000</u>	<u>7,140,000</u>	<u>19,360,000</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>53,710,000</u>
Long-term equity investments in associates and joint ventures	<u>5,837,042,303</u>	<u>1,197,230,109</u>	<u>1,670,058,738</u>	<u>327,687,233</u>	<u>-</u>	<u>90,791,790</u>	<u>-</u>	<u>-</u>	<u>9,122,810,173</u>
Additions of non-current assets (i)	<u>-</u>	<u>384,352,420</u>	<u>919,433,374</u>	<u>68,789,901</u>	<u>196,684,172</u>	<u>-</u>	<u>2,652,298</u>	<u>(967,741)</u>	<u>1,570,944,424</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

7 SEGMENT INFORMATION (Continued)

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

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Revenue - Reportable segment revenue from external customers	6,110,101,897	5,964,500,407
Reclassification of interest income from external customers of Qingdao Finance (i)	(110,319,917)	(225,632,010)
Consolidated revenue (Note 4(43))	<u>5,999,781,980</u>	<u>5,738,868,397</u>
Interest income -		
Reportable segment interest income	150,619,239	8,313,168
Reclassification of interest income from external customers of Qingdao Finance (i)	110,319,917	225,632,010
Consolidated interest income (Note 4(46))	<u>260,939,156</u>	<u>233,945,178</u>
Cost of sales-		
Reportable segment cost of sales	3,945,845,972	3,811,844,423
Reclassification of interest expenses from external customers of Qingdao Finance (ii)	(25,125,333)	(41,114,476)
Consolidated cost of sales (Note 4(43))	<u>3,920,720,639</u>	<u>3,770,729,947</u>
Interest expenses -		
Reportable segment interest expenses	90,878,593	68,274,746
Reclassification of interest expenses from external customers of Qingdao Finance (ii)	25,125,333	41,114,476
Consolidated interest expenses (Note 4(46))	<u>116,003,926</u>	<u>109,389,222</u>

- (i) Reportable segment revenue from external customers includes interest income from external customers of Qingdao Finance, which is presented as financial expenses – interest income in the consolidated financial statements.

- (ii) Reportable segment cost of sales includes interest expenses of Qingdao Finance, which is presented as finance expenses – interest expenses in the consolidated financial statements.

The Group's main revenue from external customers and additions to non-current assets other than financial assets and deferred tax assets are mainly gained or located in China.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) The parent company

(a) General information of the parent company

	Category of entity	Place of registration	Legal representative	Principal activities
Qingdao Port Group	Limited Liability Company	Qingdao, China	Li Fengli	Port operation and management

As at 30 June 2019, the Company's ultimate controlling party is State-Owned Assets Supervision and Administration Commission of Qingdao City.

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

	31 December 2018	Increase in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2019 (Unaudited)
Qingdao Port Group	<u>1,860,000,000</u>	<u>-</u>	<u>-</u>	<u>1,860,000,000</u>

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

	30 June 2019 (Unaudited)		31 December 2018	
	Shareholding	Voting rights	Shareholding	Voting rights
Qingdao Port Group	<u>54.47%</u>	<u>54.47%</u>	<u>58.48%</u>	<u>58.48%</u>

(2) Subsidiaries

The general information and other related information of the subsidiaries is set out in Note 6.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(3) Information of joint ventures and associates

Except for the information of significant joint ventures and associates disclosed in Note 6, joint ventures and associates with which the Group having related party transactions are as follows:

Name of company	Relationship with the Group
West United	Joint venture
Qingwei Container	Joint venture
Evergreen Container	Joint venture
Orient Container	Joint venture
Haiwan Liquid Chemical	Joint venture
Ganghai Logistics	Joint venture
Shenzhouxing Cargo Agency	Joint venture
China Shipping Agency	Joint venture
United Shipping Agency	Joint venture
Huaneng Qingdao	Joint venture
Dongjiakou IMC Logistics	Joint venture
QDOT	Joint venture
Linyi Express	Joint venture
Dongjiakou Sinotrans Logistics	Joint venture
Binzhou Port QDP International Terminal	Joint venture
Lianrong Logistics	Joint venture
Ocean Bridge International	Joint venture
Ganghua Logistics	Associate
Lianhai Logistics	Associate

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(4) Other related parties

Name of company	Relationship with the Group
Qingdao Port (Group) Tongda Industrial Corporation	Controlled by the same parent company
Qingdao Harbor Vocational and Technical College ("QHVTC")	Controlled by the same parent company
Qingdao Fuwai Cardiovascular Hospital Co., Ltd. ("Fuwai Hospital")	Controlled by the same parent company
Qingdao Hongyu Grand Hotel ("Hongyu Hotel")	Controlled by the same parent company
Qingdao Laoshan Scenic Spot Yingzhu Holiday Village	Controlled by the same parent company
Qingdao Port Investment and Construction (Group) Co., Ltd. ("QDP Investment Group")	Controlled by the same parent company
Qingdao Port Investment of Real Estate Co., Ltd. ("QDP Investment Real Estate")	Controlled by the same parent company
Qingdao Qianwan Construction Development Group Co., Ltd.	Controlled by the same parent company
Qingdao Dongjiakou Railway Co., Ltd. ("Dongjiakou Railway")	Controlled by the same parent company
Qingdao International Cruise Co., Ltd. ("International cruise")	Controlled by the same parent company
Qingdao International Cruise Port Development & Construction Co., Ltd. (Previous name: Qingdao Cruises Home Port Co., Ltd.) ("QD Cruise Port Development")	Controlled by the same parent company
Qingdao Harbor Hospital Investment and management Co., Ltd. ("Harbor Hospital")	Controlled by the same parent company
Qingdao Qinggang International Travel Service Co., Ltd. ("Qingdao Port Travel Agency") (i)	Controlled by the same parent company
Qingdao Port Fund Management Co., Ltd.	Controlled by the same parent company
Qingdao Leasing	Controlled by the same parent company
Qingdao Port Asset Management Co., Ltd. ("Assets Management Company")	Controlled by the same parent company
Qingdao Port Financial Controlling Co., Ltd. ("Qingdao Financial Controlling")	Controlled by the same parent company
Qingdao Port Micro Lending Co., Ltd. ("Micro Lending Company")	Controlled by the same parent company
Qingdao Port (Shenzhen) Commercial Insurance Co., Ltd., ("QDP Commercial Insurance")	Controlled by the same parent company
Qingdao Port Insurance Brokerage Co. Ltd. ("Insurance broker")	Controlled by the same parent company
Qingdao Port Pilot Station Co. Ltd. ("Pilot Station")	Controlled by the same parent company
Qingdao Cruise Home Port China Duty Free Goods Co., Ltd.	Associate of the parent company
Qingdao Cruise Home Port Development & Construction Co., Ltd.	Associate of the parent company
Qingdao Gangsheng International Logistics and Refrigeration Co., Ltd.	Associate of the parent company
QQCTN	Subsidiary of QQCT, and sharing the same key management personnel with the Company

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(4) Other related parties (Continued)

Name of company	Relationship with the Group
QQCTU	Joint venture of QQCTN, and sharing the same key management personnel with the Company
Qingdao Qianwan United Advanced Container Terminal Co., Ltd. ("QQCTUA")	Joint venture of QQCTU, and sharing the same key management personnel with the Company
Qingdao Qianwan Intelligent Container Terminal Co., Ltd. ("QQCTI")	Subsidiary of QQCTN, and sharing the same key management personnel with the Company
Qingdao Xi'an Xintong Logistics Co., Ltd. ("Xi'anXintong")	Joint venture of West United, and sharing the same key management personnel with the Company
Qingdao Dongjiakou Mineral Inspection Co., Ltd. ("Dongjiakou Mineral Inspection")	Joint venture of QDOT, and sharing the same key management personnel with the Company
China Shipping Terminal Development (ii)	Shareholder of the Company
COSCO Shipping Qingdao(ii)	Shareholder of the Company
Malai Storage	Shareholder of the Company
Shanghai China Shipping Terminal(ii)	Shareholder of the Company
China Qingdao Ocean Shipping Agency Co., Ltd. ("Qingdao Ocean Shipping Agency")	Controlled by COSCO shipping group
China Marine Bunker Qingdao Co., Ltd. ("China Marine Bunker Qingdao")	Controlled by COSCO shipping group
Qingdao Zhongran Industrial Co., Ltd. ("Zhongran Industrial")	Controlled by COSCO shipping group
Qingdao Gangwan International Logistics Co., Ltd. ("Gangwan Logistics")	Controlled by COSCO shipping group
Shanghai Pan-Asia Shipping Co., Ltd. ("Shanghai Pan-Asia Shipping")	Controlled by COSCO shipping group
Qingdao Ocean & Great Asia Logistics Co., Ltd. ("Ocean & Great Asia")	Controlled by COSCO shipping group
Qingdao Ocean & Great Asia Bonded Logistics Co., Ltd.	Controlled by COSCO shipping group
COSCO Shipping Qingdao International Freight Co., Ltd. (Formerly: Qingdao Zhonghuo International Logistics Co., Ltd.)	Controlled by COSCO shipping group
COSCO Logistics	Controlled by COSCO shipping group
COSCO Shipping Lines (Qingdao) Co., Ltd. (Formerly: COSCO International Freight Co., Ltd.) ("COSCO Shipping Lines Qingdao")	Controlled by COSCO shipping group
China Shipping Container Lines (Qingdao) Co., Ltd	Controlled by COSCO shipping group
Qingdao Xin Dong Fang Container Storage & Transportation Co., Ltd.	Controlled by COSCO shipping group
Xinxinhai Shipping Co., Ltd. (Formerly: COSCON Southeast Asia Limited) ("Xinxinhai Shipping")	Controlled by COSCO shipping group
COSCO Qingdao Container Shipping Agency Co., Ltd.	Controlled by COSCO shipping group

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(4) Other related parties (Continued)

Name of company	Relationship with the Group
COSCO Shipping Container Transportation Co., Ltd. (Formerly: COSCO Container Transport Co., Ltd.) ("COSCO Shipping Container Transportation")	Controlled by COSCO shipping group
OOCL Logistics (China) Co., Ltd.	Controlled by COSCO shipping group
Xi'an COSCO Shipping Logistics Co., Ltd.	Controlled by COSCO shipping group
COSCO Shipping Logistics (Henan) Co., Ltd. (Formerly: COSCO international Shipping Logistics (Henan) Co., Ltd) ("COSCO Shipping Logistics (Henan)")	Controlled by COSCO shipping group
Longkou COSCO Shipping Agency Co., Ltd.	Controlled by COSCO shipping group
The Orient Overseas Container Line (China) Co., Ltd. ("OOCL")	Controlled by COSCO shipping group
Guangzhou Zhenhua Shipping Co., Ltd.	Controlled by COSCO shipping group
COSCO Shipping Bulk Transportation Co., Ltd.	Controlled by COSCO shipping group
Qingdao COSCO Shipping Logistics International Storage and Transportation Co., Ltd.	Controlled by COSCO shipping group
China Marine Bunker YINDA Qingdao Co., Ltd.	Controlled by COSCO shipping group
Qingdao Ocean Shipping Communication Co., Ltd.	Controlled by COSCO shipping group
Shanghai Ocean Shipping Co., Ltd. Communication Navigation Branch	Controlled by COSCO shipping group
Lianyungang Ocean Ocean Fluid Handling Equipment Co., Ltd.	Controlled by COSCO shipping group
Qingdao COSCO Ocean Air Freight Forwarding Co., Ltd.	Controlled by COSCO shipping group
COSCO Shipping Customs Clearance (Qingdao) Co., Ltd.	Controlled by COSCO shipping group
Shanghai Puhai Shipping Co., Ltd.	Controlled by COSCO shipping group
Qingdao Yuanyang Hongchi Logistics Co., Ltd.	Controlled by COSCO shipping group
China Lianyungang Ocean Shipping Agency Co., Ltd. ("Lianyungang Ocean Shipping Agency")	Controlled by COSCO shipping group
COSCO Shipping Development Co., Ltd.	Controlled by COSCO shipping group
Qingdao Xin Sanli Cold Box Technology Co., Ltd.	Controlled by COSCO shipping group
COSCO Weizhi Container Logistics (Shanghai) Co. Ltd.	Controlled by COSCO shipping group
Xiamen COSCO Shipping Logistics Co., Ltd.	Controlled by COSCO shipping group
Zhongli Inspection Co., Ltd.	Controlled by COSCO shipping group
Xin Sanli Container Service Co., Ltd.	Controlled by COSCO shipping group

- (i) For the six months ended 30 June 2019, the Company disposed its 100% equity interests of Qingdao Port Travel Agency. After the disposal, Qingdao Port Travel Agency was transformed into subsidiary of Qingdao Port Group. From the date of disposal to 30 June 2018 and the six months ended 30 June 2019, the transactions between the Group and it was related party transactions.
- (ii) The ultimate controlling party for China Shipping Terminal Development is China Ocean Shipping Group Co., Ltd. ("COSCO Shipping Group"). COSCO Shipping Group indirectly holds 18.6% of the company's shares through Shanghai China Shipping Terminal, Qingdao Ocean Shipping and China Shipping Terminal Development.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions

(a) Purchase and sale of goods, and rendering and receiving of services

Purchase of goods or services:

	Contents of transactions	Pricing policies	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
West United	Receiving of Loading & unloading and logistics services	Arm's length principle	66,516,488	69,076,156
QDOT	Receiving of Loading & unloading and logistics services	Arm's length principle	64,832,692	262,746,726
Huaneng Qingdao	Receiving of Loading & unloading and logistics services	Arm's length principle	14,512,261	12,099,404
QQCTU	Receiving of Loading & unloading and logistics services	Arm's length principle	10,211,666	3,536,988
COSCO Shipping Lines Qingdao	Receiving of Loading & unloading and logistics services	Arm's length principle	11,047,743	1,947,814
COSCO Shipping Container Transportation	Receiving of Loading & unloading and logistics services	Arm's length principle	9,940,609	-
COSCO Shipping Logistics (Henan)	Receiving of Loading & unloading and logistics services	Arm's length principle	6,428,185	2,048,199
QDP Investment Group	Receiving of Loading & unloading and logistics services	Arm's length principle	3,423,175	4,137,383
QQCT	Receiving of Loading & unloading and logistics services	Arm's length principle	3,189,336	1,131,955
Hongyu Hotel	Receiving of catering services	Arm's length principle	2,531,307	5,992,759
Qingdao Ocean Shipping Agency	Receiving of Loading & unloading and logistics services	Arm's length principle	1,944,325	762,036
Linyi Express	Receiving of Loading & unloading and logistics services	Arm's length principle	1,147,038	815,398

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(a) Purchase and sale of goods, and rendering and receiving of services (Continued)

Purchase of goods or services (Continued):

	Contents of transactions	Pricing policies	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Qingdao Shihua	Receiving of Loading & unloading and logistics services	Arm's length principle	983,741	908,884
Shenzhouxing Cargo Agency	Receiving of Loading & unloading and logistics services	Arm's length principle	702,735	755,368
Dongjiakou Mineral Inspection	Receiving of Loading & unloading and logistics services	Arm's length principle	530,483	185,870
Evergreen Container	Receiving of Loading & unloading and logistics services	Arm's length principle	351,060	492,946
Gangwan Logistics	Receiving of Loading & unloading and logistics services	Arm's length principle	40,038	905,249
Other related parties	Receiving of Loading & unloading, logistics, training, traveling and factoring services	Arm's length principle	7,477,623	9,726,859
			<u>205,810,505</u>	<u>377,269,994</u>
	Contents of transactions	Pricing policies	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
China Marine				
Bunker Qingdao	Purchasing fuel	Arm's length principle	83,698,881	47,003,832
Zhongran Industrial	Purchasing fuel	Arm's length principle	717,414	474,301
			<u>84,416,295</u>	<u>47,478,133</u>
			<u>290,226,800</u>	<u>424,748,127</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Purchase and sale of goods, and rendering and receiving of services (Continued)

(a) Related party transactions (Continued)

Selling goods and rendering services:

	Contents of transactions	Pricing policies	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
QQCT	Rendering of transporting, loading& unloading, repairing and other services	Arm's length principle	74,321,234	113,706,188
Dongjiakou IMC Logistics	Rendering of transporting, loading& unloading, repairing and other services	Arm's length principle	64,126,528	83,128,527
Qingdao Shihua	Rendering of transporting, loading& unloading, repairing and other services	Arm's length principle	62,168,127	59,676,525
Qingdao Ocean Shipping Agency	Rendering of transporting, loading& unloading, repairing and other services	Arm's length principle	61,636,724	73,168,956
QDOT	Rendering of transporting, loading& unloading, repairing and other services	Arm's length principle	35,518,184	39,089,916
Shenzhouxing Cargo Agency	Rendering of transporting, loading& unloading, repairing and other services	Arm's length principle	25,122,088	21,885,238
QQCTU	Rendering of transporting, loading& unloading, repairing and other services	Arm's length principle	24,982,725	50,718,927
Ocean & Great Asia	Rendering of transporting, loading& unloading, repairing and other services	Arm's length principle	20,013,640	23,130,187
Evergreen Container	Rendering of transporting, loading& unloading, repairing and other services	Arm's length principle	17,393,793	12,321,345
QQCTN	Rendering of transporting, loading& unloading, repairing and other services	Arm's length principle	13,877,371	10,428,115
COSCO Shipping Lines Qingdao	Rendering of transporting, loading& unloading, repairing and other services	Arm's length principle	13,352,354	7,256,145
COSCO Shipping Container Transportation	Rendering of transporting, loading& unloading, repairing and other services	Arm's length principle	12,530,183	7,449,852

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Purchase and sale of goods, and rendering and receiving of services (Continued)

(a) Related party transactions (Continued)

Selling goods and rendering services (Continued):

	Contents of transactions	Pricing policies	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
QDP Investment Group	Rendering of transporting, loading& unloading, repairing and other services	Arm's length principle	12,169,354	12,643,139
Qingdao Port Group	Rendering of transporting, loading& unloading, repairing and other services	Arm's length principle	10,425,482	10,500,817
Lianhai Logistics	Rendering of transporting, loading& unloading, repairing and other services	Arm's length principle	9,343,554	6,400,231
Orient Container	Rendering of transporting, loading& unloading, repairing and other services	Arm's length principle	7,281,235	6,492,710
QQCTUA	Rendering of transporting, loading& unloading, repairing and other services	Arm's length principle	6,900,570	16,997,410
Ganghai Logistics	Rendering of transporting, loading& unloading, repairing and other services	Arm's length principle	6,826,250	2,042,345
West United	Rendering of transporting, loading& unloading, repairing and other services	Arm's length principle	4,864,437	6,101,423
QHVTC	Rendering of transporting, loading& unloading, repairing and other services	Arm's length principle	4,650,319	3,540,469
Lianrong Logistics	Rendering of transporting, loading& unloading, repairing and other services	Arm's length principle	4,527,622	4,006,714
Xinxinhai Shipping	Rendering of transporting, loading& unloading, repairing and other services	Arm's length principle	3,272,675	1,672,420
Binzhou Port QDP International Terminal	Rendering of transporting, loading& unloading, repairing and other services	Arm's length principle	2,678,508	5,925,230
COSCO Logistics	Rendering of transporting, loading& unloading, repairing and other services	Arm's length principle	4,737,592	2,126,420

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Purchase and sale of goods, and rendering and receiving of services (Continued)

(a) Related party transactions (Continued)

Selling goods and rendering services (Continued):

	Contents of transactions	Pricing policies	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Shanghai Pan Asia Shipping	Rendering of transporting, loading& unloading, repairing and other services	Arm's length principle	7,674,191	4,745,375
Xi'an Xintong	Rendering of transporting, loading& unloading, repairing and other services	Arm's length principle	1,295,719	102,848
Haiwan Liquid Chemical	Rendering of transporting, loading& unloading, repairing and other services	Arm's length principle	985,400	639,637
QDP Investment Real Estate	Rendering of transporting, loading& unloading, repairing and other services	Arm's length principle	759,916	566,973
China Marine Bunker Qingdao	Rendering of transporting, loading& unloading, repairing and other services	Arm's length principle	310,726	871,237
Micro Lending Company	Rendering of operating, property, communication and other services	Arm's length principle	120,750	677,755
Ganghua Logistics	Rendering of transporting, loading& unloading, repairing and other services	Arm's length principle	23,656	2,732,249
Assets Management Company	Rendering of transporting, property, communication and other services	Arm's length principle	2,412	730,939
Other related parties	Rendering of transporting, loading& unloading, repairing and other services	Arm's length principle	3,148,834	4,318,478
			<u>517,042,153</u>	<u>595,794,740</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Purchase and sale of goods, and rendering and receiving of services (Continued)

(a) Related party transactions (Continued)

Selling goods and rendering services (Continued):

	Contents of transactions	Pricing policies	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
QQCTN	Rendering of construction services	Arm's length principle	286,010,096	67,768,505
Qingdao Port Group	Rendering of construction services	Arm's length principle	79,270,221	18,847,022
QDOT	Rendering of construction services	Arm's length principle	64,539,914	71,117,659
QDP Investment Group	Rendering of construction services	Arm's length principle	24,594,834	18,311,977
West United	Rendering of construction services	Arm's length principle	10,429,926	4,229,836
QQCTU	Rendering of construction services	Arm's length principle	8,679,345	1,728,153
Qingdao Shihua	Rendering of construction services	Arm's length principle	5,612,540	5,585,277
QD Cruise Port Development	Rendering of construction services	Arm's length principle	1,286,506	3,000,361
QQCT	Rendering of construction services	Arm's length principle	1,073,405	4,819,311
Orient Container	Rendering of construction services	Arm's length principle	805,548	368,429
Huaneng Qingdao	Rendering of construction services	Arm's length principle	83	2,564,515
QQCTUA	Rendering of construction services	Arm's length principle	-	1,415,779
Other related parties	Rendering of construction services	Arm's length principle	2,715,336	2,877,798
			<u>485,017,754</u>	<u>202,634,622</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Purchase and sale of goods, and rendering and receiving of services (Continued)

(a) Related party transactions (Continued)

Selling goods and rendering services (Continued):

	Contents of transactions	Pricing policies	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
QDOT	Sales of water, electricity, steam and oil	Arm's length principle	66,211,996	67,550,973
QQCT	Sales of water, electricity, steam and oil	Arm's length principle	48,236,786	53,527,454
QQCTN	Sales of water, electricity, steam and oil	Arm's length principle	23,292,177	17,178,114
West United	Sales of water, electricity, steam and oil	Arm's length principle	9,248,414	6,678,457
QQCTUA	Sales of water, electricity, steam and oil	Arm's length principle	5,427,130	5,487,214
QQCTU	Sales of water, electricity, steam and oil	Arm's length principle	4,460,638	3,758,875
Qingdao Shihua	Sales of water, electricity, steam and oil	Arm's length principle	4,016,075	4,470,504
Evergreen Container	Sales of water, electricity, steam and oil	Arm's length principle	2,509,993	2,096,393
Shenzhouxing Cargo Agency	Sales of water, electricity, steam and oil	Arm's length principle	2,143,472	2,036,545
QD International Cruise	Sales of water, electricity, steam and oil	Arm's length principle	1,512,398	2,131,607
QDP Investment Group	Sales of water, electricity, steam and oil	Arm's length principle	1,398,849	1,259,265
Ganghai Logistics	Sales of water, electricity, steam and oil	Arm's length principle	1,339,508	132,104
Orient Container	Sales of water, electricity, steam and oil	Arm's length principle	994,828	1,044,486
Haiwan Liquid Chemical	Sales of water, electricity, steam and oil	Arm's length principle	862,042	817,300
Huaneng Qingdao	Sales of water, electricity, steam and oil	Arm's length principle	767,774	603,331
Qingdao Port Group	Sales of water, electricity, steam and oil	Arm's length principle	575,424	347,916
Other related parties	Sales of water, electricity, steam and oil	Arm's length principle	2,123,507	2,413,706
			<u>175,121,011</u>	<u>171,534,244</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Purchase and sale of goods, and rendering and receiving of services (Continued)

(a) Related party transactions (Continued)

Selling goods and rendering services (Continued):

	Contents of transactions	Pricing policies	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
QDOT	Sales of port machinery and other equipment	Arm's length principle	72,886,239	7,252,934
QQCTN	Sales of port machinery and other equipment	Arm's length principle	58,477,090	18,548,419
QQCT	Sales of port machinery and other equipment	Arm's length principle	32,074,938	66,189,464
QDP Investment Group	Sales of port machinery and other equipment	Arm's length principle	29,733,501	62,365,855
Dongjiakou Railway	Sales of port machinery and other equipment	Arm's length principle	25,396,138	-
West United	Sales of port machinery and other equipment	Arm's length principle	1,021,444	5,024,446
Other related parties	Sales of port machinery and other equipment	Arm's length principle	3,685,179	2,331,014
			<u>223,274,529</u>	<u>161,712,132</u>
			<u>1,400,455,447</u>	<u>1,131,675,738</u>

Tongze Trading, a subsidiary of the Company, provides agency procurement services to related parties of the Group. The transaction amount is agency service fee, which is reflected in the above transaction amount.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(b) Leases

The Group acts as a lessor:

	Type of leased assets	Lease income confirmed for the six months ended 30 June 2019 (Unaudited)	Lease income confirmed for the six months ended 30 June 2018 (Unaudited)
QQCT	Buildings, storage facilities, port facilities and vehicles	114,055,456	114,147,961
Qingdao Shihua	Buildings, storage facilities and machinery & equipment	75,742,302	220,228,840
QQCTU	Buildings, storage facilities and vehicles	5,032,228	4,995,656
Evergreen Container	Buildings, storage facilities	4,994,033	4,736,201
Gangwan Logistics	Storage facilities, vehicles	4,833,394	-
Orient Container	Storage facilities	3,805,524	3,615,238
QDOT	Storage facilities and vehicles	3,630,104	4,536,632
Lianhai Logistics	Storage facilities and machinery & equipment	3,163,327	2,660,374
Lianrong Logistics	Storage facilities	2,698,433	2,037,133
QQCTN	Port facilities and vehicles	2,005,529	1,906,723
Binzhou Port QDP International Terminal	Machinery and equipment	1,248,451	2,520,928
Shenzhouxing Cargo Agency	Storage facilities and machinery & equipment	1,138,099	275,128
West United	Buildings and machinery & equipment	245,714	1,801,773
Other related parties	Buildings, storage facilities and machinery & equipment	1,489,636	1,214,286
		<u>224,082,230</u>	<u>364,676,873</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(b) Leases (Continued)

Right-of-use assets leased by the Group as a lessee:

Lessor	Type of leased assets	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Qingdao Leasing	Port facilities, machinery and equipment, buildings and buildings Ship, loading equipment, warehouse facilities	<u>477,792,649</u>	<u>–</u>

Interest expense from lease liabilities incurred by the Group as a lessee:

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Qingdao Leasing	<u>14,209,742</u>	<u>–</u>

Other assets leased by the Group as a lessee:

	Type of leased assets	Lease fee confirmed for the six months ended 30 June 2019 (Unaudited)	Lease fee confirmed for the six months ended 30 June 2018 (Unaudited)
Qingdao Port Group	Buildings, storage facilities	40,235,396	38,975,858
QQCTU	Storage facilities	8,075,080	2,125,788
QQCTN	Storage facilities	4,352,598	4,770,541
West United	Buildings, storage facilities	4,036,969	5,347,835
QDP Investment Group	Buildings, storage facilities	2,575,227	4,807,760
QQCT	Machinery & equipment	875,801	1,028,588
Other related parties	Buildings, storage facilities and machinery & equipment	<u>1,311,769</u>	<u>635,511</u>
		<u>61,462,840</u>	<u>57,691,881</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(c) Finance lease and capital loans

Lend out -

	Amount (Unaudited)	Starting date (Unaudited)	Due Date (Unaudited)
QDOT	60,000,000	2018-01-02	2019-01-01
QDOT	330,000,000	2018-01-02	2018-03-30
QDOT	50,000,000	2018-03-30	2019-03-29
QDOT	30,000,000	2018-03-30	2018-04-28
QDOT	60,000,000	2018-03-30	2018-05-29
QDOT	180,000,000	2018-03-30	2018-06-04
QQCTN	100,000,000	2018-01-31	2023-01-30
QQCTN	200,000,000	2018-02-11	2023-02-10
QQCTN	350,000,000	2018-02-24	2023-02-23
QQCTN	48,000,000	2018-02-28	2019-02-27
QQCTN	88,000,000	2018-03-13	2023-03-12
QQCTN	40,000,000	2018-03-19	2019-03-18
HaiwanLiquid Chemical	69,100,000	2018-01-02	2018-06-06
HaiwanLiquid Chemical	10,885,400	2018-01-22	2022-01-21
HaiwanLiquid Chemical	224,000	2018-01-26	2019-01-25
HaiwanLiquid Chemical	4,856,000	2018-02-11	2022-02-10
HaiwanLiquid Chemical	17,740,000	2018-03-28	2021-03-27
West United	16,000,000	2018-03-13	2019-03-12
West United	13,000,000	2018-04-28	2019-04-27
Fuwai Hospital	21,000,000	2018-03-27	2019-03-26
Fuwai Hospital	6,000,000	2018-04-25	2019-04-24
Fuwai Hospital	30,000,000	2018-07-26	2019-07-25
Qingdao Leasing	22,244,400	2018-01-25	2020-06-24
Qingdao Leasing	3,922,500	2018-03-29	2021-03-28
Qingdao Leasing	32,400,000	2018-03-29	2021-03-28
Qingdao Leasing	32,400,000	2018-04-26	2021-04-25
Qingdao Leasing	18,102,000	2018-05-29	2025-05-28
Qingdao Leasing	7,872,750	2018-05-29	2021-05-28
Qingdao Leasing	217,500,000	2018-06-07	2019-06-06
Qingdao Leasing	585,000,000	2018-06-07	2021-06-06
Qingdao Leasing	7,872,750	2018-06-22	2021-06-21
Qingdao Leasing	13,719,000	2018-06-28	2025-06-27
	<u>2,665,838,800</u>		

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(c) Finance lease and capital loans (Continued)

Lend out - (Continued)

	Amount	Starting date	Due Date
	(Unaudited)	(Unaudited)	(Unaudited)
QQCTU	345,000,000	2019-03-28	2022-03-27
QDOT	36,000,000	2019-04-16	2020-04-15
QQCTUA	5,000,000	2019-05-16	2022-05-15
QDOT	36,000,000	2019-05-16	2020-05-15
QQCTN	88,000,000	2019-05-28	2020-05-27
West United	16,000,000	2019-05-30	2020-05-29
West United	13,000,000	2019-05-30	2020-05-29
QQCTUA	5,000,000	2019-06-14	2022-06-13
QDOT	30,000,000	2019-06-14	2020-06-13
QDOT	30,000,000	2019-06-28	2020-06-27
	<u>604,000,000</u>		

Maturity dates of the above loans refer to final maturity dates agreed in the contracts.

In addition to the loans mentioned above, for the six months ended 30 June 2019, the Company's subsidiary Qingdao Finance did not provide discounted notes to related parties; for the six months ended 30 June 2018, the Company's subsidiary Qingdao Finance provided discounted notes of RMB32,330,429 and RMB1,173,675 to related parties QDOT and Haiwan Liquid Chemical respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(c) Finance lease and capital loans (Continued)

Finance lease and obtaining factoring loan-

	Amount (Unaudited)	Starting date (Unaudited)	Due Date (Unaudited)
QDP Commercial Insurance	7,175,000	2018-01-24	2018-04-17
QDP Commercial Insurance	7,000,000	2018-02-06	2018-04-13
QDP Commercial Insurance	30,100,000	2018-02-07	2018-05-06
QDP Commercial Insurance	47,745,000	2018-02-13	2018-04-12
QDP Commercial Insurance	15,330,000	2018-03-05	2018-05-31
QDP Commercial Insurance	3,800,000	2018-03-07	2018-05-03
QDP Commercial Insurance	8,100,000	2018-03-15	2018-06-13
QDP Commercial Insurance	5,220,000	2018-03-28	2018-05-28
QDP Commercial Insurance	6,000,000	2018-05-28	2018-06-13
QDP Commercial Insurance	17,000,000	2018-05-31	2018-06-29
Qingdao Leasing	14,080,793	2018-03-29	2023-03-29
Qingdao Leasing	5,312,597	2018-03-29	2021-03-10
Qingdao Leasing	28,841,828	2018-05-14	2025-05-14
Qingdao Leasing	8,250,440	2018-05-29	2023-05-29
Qingdao Leasing	10,625,520	2018-05-30	2021-05-30
Qingdao Leasing	7,613,102	2018-06-08	2023-06-08
Qingdao Leasing	10,625,520	2018-06-22	2021-06-22
	<u>232,819,800</u>		
	Amount (Unaudited)	Starting date (Unaudited)	Due Date (Unaudited)
QDP Commercial Insurance	10,000,000	2019-01-30	2019-02-14
QDP Commercial Insurance	7,700,000	2019-02-18	2019-04-02
QDP Commercial Insurance	10,000,000	2019-03-04	2019-03-20
QDP Commercial Insurance	21,000,000	2019-03-05	2019-04-02
QDP Commercial Insurance	10,000,000	2019-03-22	2019-03-26
	<u>58,700,000</u>		

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(c) Finance lease and capital loans (Continued)

Interest income from loans

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Qingdao Leasing	31,085,055	11,291,798
QQCTN	14,820,966	31,140,296
QQCT	5,001,690	12,266,103
QQCTU	4,079,697	28,982,429
Fuwai Hospital	2,416,102	4,540,576
QDOT	569,057	23,536,474
West United	105,786	2,027,044
Haiwan Liquid Chemical	-	4,269,071
Qingwei Container	-	1,765,504
Other related parties	66,188	170,991
	58,144,541	119,990,286

Interest expenses for deposits from customers and funds borrowed-

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Qingdao Port Group	6,543,935	22,077,081
QQCT	6,242,236	8,905,677
Qingdao Shihua	2,810,016	1,578,257
Qingdao Financial Controlling	2,009,378	1,940,299
QQCTN	1,717,596	800,674
QQCTI	1,110,102	1,180,129
QDP Commercial Insurance	975,174	1,053,429
QD Cruise Port Development	380,004	480,476
QDP Investment Group	329,523	223,074
Ganghai Logistics	329,070	294,629
Qingdao Leasing	253,415	11,285,978
West United	230,329	107,370
Fuwai Hospital	221,721	633,930
QQCTU	126,113	579,228
Other related parties	1,508,307	1,661,311
	24,786,919	52,801,542

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(d) Acquisition of equity in subsidiaries and joint ventures and disposal of subsidiaries

In 2018, the Group disposed its equity held in Qingdao Port Travel Agency to International Cruise. Please refer to Note 8(4)(i) for relevant disclosures.

(e) Remuneration of key management

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Remuneration of key management	<u>5,557,054</u>	<u>5,072,007</u>

(f) Other related party transactions

(i) *Port construction fees, harbour dues and port facility security expenses received and paid on behalf of related parties to their clients.*

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Funds received under the entrustment of related parties –		
QQCT	277,925,769	264,498,098
QQCTU	121,218,124	114,936,759
QQCTN	18,692,625	18,990,605
QQCTUA	<u>18,503,450</u>	<u>15,868,504</u>
	<u>436,339,968</u>	<u>414,293,966</u>
Funds paid to related parties –		
QQCT	287,471,044	270,333,176
QQCTU	132,598,809	115,568,867
QQCTN	18,967,539	20,018,757
QQCTUA	<u>18,583,883</u>	<u>15,851,335</u>
	<u>457,621,275</u>	<u>421,772,135</u>

Port construction fees, harbour dues and port facility security expenses received and paid on behalf of related parties are collected by the Company's subsidiary QDP Logistics on behalf of related parties including QQCT, QQCTU QQCTUA and QQCTN from their clients and paid to above related parties.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(f) Other related party transactions (Continued)

(ii) Port dues received by related parties on behalf of the Company

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Qingdao Shihua	66,760,879	65,451,983
QQCT	37,788,289	38,194,215
QQCTU	12,333,400	12,803,967
QQCTN	5,216,910	5,737,394
West United	3,515,947	2,969,006
QQCTUA	2,912,882	2,518,676
QDOT	898,427	4,052,216
	<u>129,426,734</u>	<u>131,727,457</u>

(iii) Early retirement and supplemental retirement benefits paid on behalf of related parties

In 2017 and previous years, the recognised early retirement and supplemental retirement benefit liabilities of RMB73,206,341 were transferred to the Group by Qingdao Port Group to further deduct the debts owned by the Group to Qingdao Port Group, and will be paid by the Group in future.

For the six months ended 30 June 2019, the Group did not pay early retirement and supplemental retirement benefits (For the six months ended 30 June 2018, the Group paid early retirement and supplemental retirement benefits of RMB233,858) on behalf of Qingdao Port Group. For the six months ended 30 June 2019 and 31 December 2018, a total of RMB14,622,616 has been paid.

In the coming years, the Group will manage these early retired and retired employees on behalf of Qingdao Port Group and make relevant payments to such employees. Payables within one year are listed in other payables, otherwise are recorded in long-term payables (Note 4(33)).

(iv) For the six months ended 30 June 2019, the supplier of agent purchasing business of International Trade Logistics, a subsidiary of the Company, applied for factoring financing of RMB14,616,000 with recourse from QDP Commercial Insurance, a related party of the Company, using its receivables from International Trade Logistics (For the six months ended 30 June 2018: RMB190,541,000). According to the business arrangement, after the factoring financing business matured, International Trade Logistics pay the above factoring financing principal and relevant interest directly to QDP Commercial Insurance. As at 30 June 2019, factoring financing principal and relevant interest are not matured (As at 31 December 2018, the amount of factoring financial principal and relevant interest not yet matured was RMB14,719,936).

(v) Other amount collected and paid on behalf

The Company's subsidiary, Qingdao Finance, issued the notes on behalf of the related parties refer to Note 10(3).

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties

Receivables from related parties

(a) Notes receivable-

	30 June 2019 (Unaudited)		31 December 2018	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QDOT	95,783,664	(4,789,183)	-	-
QQCTN	28,088,560	(1,404,428)	-	-
QDP Investing Group	11,123,079	(556,154)	11,999,764	(599,988)
West United	17,230,000	(861,500)	26,251,993	(1,312,600)
Fuwai Hospital	439,647	(21,982)	-	-
	<u>152,664,950</u>	<u>(7,633,247)</u>	<u>38,251,757</u>	<u>(1,912,588)</u>

(b) Accounts receivable-

	30 June 2019 (Unaudited)		31 December 2018	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QQCTN	291,255,654	(14,629,709)	194,041,166	(9,846,333)
QDP Investment Group	102,037,550	(5,107,249)	128,132,282	(6,406,614)
Qingdao Port Group	78,934,266	(6,684,930)	80,015,369	(5,599,547)
QDOT	67,063,687	(3,570,979)	164,538,301	(9,728,304)
QQCTU	66,118,422	(3,371,656)	56,100,976	(3,332,894)
Dongjiakou IMC Logistics	45,114,269	(2,255,713)	21,344,658	(1,067,233)
QQCT	32,166,974	(1,656,396)	24,183,824	(1,221,226)
Dongjiakou Railway	29,466,096	(1,473,305)	2,239	(112)
Qingdao Shihua	28,393,567	(1,419,678)	17,085,788	(862,250)
West United	24,923,080	(1,156,154)	44,809,938	(2,522,010)
Haiwan Liquid Chemical	18,804,432	(1,606,484)	19,154,533	(1,095,109)
QDP Investment Real Estate	11,481,955	(1,143,255)	11,649,156	(1,151,615)
QQCTUA	10,998,600	(549,980)	4,375,690	(218,785)
Shenzhouxing Cargo Agency	9,578,054	(478,903)	11,303,837	(565,192)
Lianhai Logistics	6,489,395	(324,470)	8,522,263	(426,113)
Evergreen Container	6,081,309	(304,065)	6,245,287	(312,264)
Ocean & Great Asia	5,791,918	(289,596)	8,159,341	(407,967)
Xi'an Xintong	5,533,786	(276,689)	5,771,116	(288,556)
Huaneng Qingdao	4,847,699	(407,385)	9,764,093	(488,205)
QHVTC	3,582,169	(179,108)	2,333,493	(116,675)

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties (Continued)

(b) Accounts receivable- (Continued)

	30 June 2019 (Unaudited)		31 December 2018	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Orient Container	3,432,698	(171,635)	5,080,433	(254,022)
Shanghai Pan-Asia Shipping	2,482,014	(124,101)	1,799,584	(89,979)
OOCL	2,237,976	(111,899)	-	-
COSCO Shipping Container Transportation	2,215,717	(110,786)	708,485	(35,424)
Lianyungang Ocean Shipping Agency	1,939,975	(96,999)	-	-
Lianrong Logistics	1,713,972	(85,699)	5,587,260	(279,363)
Fuwai Hospital	1,402,487	(70,124)	2,283,369	(114,168)
Ganghai Logistics	1,080,160	(73,997)	474,924	(43,735)
COSCO Shipping Lines Qingdao	1,078,708	(53,935)	441,654	(22,083)
Ocean Bridge International	-	-	3,222,412	(161,121)
Other related parties	3,951,520	(242,309)	2,490,240	(150,135)
	<u>870,198,109</u>	<u>(48,027,188)</u>	<u>839,621,711</u>	<u>(46,807,034)</u>

(c) Contract assets

	30 June 2019 (Unaudited)		31 December 2018	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QDOT	139,466,317	(7,671,025)	47,260,547	(3,232,944)
QQCTN	76,286,635	(4,414,047)	76,183,269	(5,080,545)
Qingdao Port Group	69,887,756	(3,717,712)	-	-
QQCT	69,389,226	(3,516,333)	47,442,081	(2,422,611)
QDP Investment Group	27,983,431	(2,215,142)	75,256,103	(4,390,814)
Dongjiakou Sinotrans Logistics	14,579,423	(1,457,942)	-	-
West United	5,133,567	(364,874)	-	-
QHVTC	4,307,950	(430,795)	14,226,307	(1,308,527)
Qingdao Shihua	2,760,854	(142,470)	-	-
Evergreen Container	1,855,177	(92,759)	2,786,136	(140,880)
QQCTU	796,323	(78,033)	2,269,119	(226,912)
Other related parties	3,254,319	(168,693)	651,064	(34,135)
	<u>415,700,978</u>	<u>(24,269,825)</u>	<u>266,074,626</u>	<u>(16,837,368)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties (Continued)

(d) Advances to suppliers

	30 June 2019 (Unaudited)	31 December 2018
QQCTU	2,844,665	2,696,054
West United	2,000,000	2,000,000
Xi'an Xintong	1,614,559	-
COSCO Shipping Lines Qingdao	1,301,012	1,418,723
Shanghai Pan-Asia Shipping	849,512	4,988,618
Qingdao Shihua	777,802	-
Other related parties	1,158,347	1,340,539
	<u>10,545,897</u>	<u>12,443,934</u>

(e) Other receivables

Ending balance of loans provided-

	30 June 2019 (Unaudited)		31 December 2018	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Qingdao Leasing	350,000,000	(3,824,349)	569,751,852	(11,437,166)
QDOT	132,134,125	(3,254,630)	-	-
QQCTN	88,000,000	(2,136,130)	89,046,726	(539,147)
West United	29,035,042	(703,952)	-	-
QQCT	-	-	322,208	(16,110)
Fuwai Hospital	-	-	187,019	(9,351)
	<u>599,169,167</u>	<u>(9,919,061)</u>	<u>659,307,805</u>	<u>(12,001,774)</u>

Dividends receivable-

	30 June 2019 (Unaudited)		31 December 2018	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Lianrong Logistics	1,500,000	(75,000)	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties (Continued)

(e) Other receivables (Continued)

Other-

	30 June 2019 (Unaudited)		31 December 2018	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QQCT	14,588,960	(729,448)	2,655,775	(143,431)
QDOT	14,554,794	(727,740)	11,706,813	(585,341)
QQCTU	10,387,945	(594,832)	5,829,406	(299,787)
Qingdao Leasing	9,886,400	(494,320)	9,976,400	(498,820)
Ganghai Logistics	4,766,113	(238,306)	1,294,275	(64,714)
Qingdao Shihua	3,896,505	(194,825)	4,614,704	(230,735)
QD International Cruise	3,305,538	(165,277)	3,218,118	(160,906)
Dongjiakou IMC Logistics	3,124,894	(156,245)	3,293,808	(164,690)
West United	2,266,306	(113,315)	7,097,554	(354,878)
Shenzhouxing Cargo Agency	1,267,537	(63,377)	323,313	(16,166)
Qingdao Ocean Shipping Agency	1,161,084	(58,054)	997,086	(49,854)
Evergreen Container	1,052,675	(52,634)	2,469,359	(123,468)
Orient Container	882,069	(44,103)	654,702	(32,735)
QQCTN	855,218	(42,761)	2,968,372	(151,539)
Fuwai Hospital	716,042	(35,802)	296,953	(14,848)
Ocean & Great Asia	639,162	(31,958)	38,426	(1,921)
Binzhou Port QDP				
International Terminal	608,329	(30,416)	-	-
QQCTUA	572,640	(28,632)	77,360	(3,868)
QDP Investment Group	563,641	(50,682)	507,633	(25,382)
Huaneng Qingdao	396,554	(19,828)	42,763	(2,138)
COSCO Shipping Lines Qingdao	360,000	(18,000)	577,942	(28,897)
QHVTC	329,235	(16,462)	750,924	(37,546)
Other related parties	927,611	(49,387)	1,428,384	(76,470)
	<u>77,109,252</u>	<u>(3,956,404)</u>	<u>60,820,070</u>	<u>(3,068,134)</u>
	<u>677,778,419</u>	<u>(13,950,465)</u>	<u>720,127,875</u>	<u>(15,069,908)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties (Continued)

(f) Current portion of non-current assets

	30 June 2019 (Unaudited)		31 December 2018	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QQCTN	250,400,000	(2,222,000)	253,400,000	(5,607,646)
Qingdao Leasing	143,533,420	(3,792,064)	128,889,720	(3,405,991)
QQCTU	17,250,000	(455,795)	–	–
Fuwai Hospital	1,500,000	(39,634)	900,000	(63,676)
QQCTUA	200,000	(5,285)	–	–
	<u>412,883,420</u>	<u>(6,514,778)</u>	<u>383,189,720</u>	<u>(9,077,313)</u>

(g) Long-term receivables

	30 June 2019 (Unaudited)		31 December 2018	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Qingdao Leasing	712,737,777	(18,696,750)	920,764,164	(23,339,504)
QQCTU	328,205,209	(8,660,112)	–	–
QQCTN	299,831,236	(7,900,453)	387,200,000	(10,231,997)
QQCT	222,292,917	(5,865,888)	222,000,000	(5,865,889)
Fuwai Hospital	86,616,111	(2,285,583)	122,500,000	(8,666,946)
QQCTUA	9,813,195	(258,947)	–	–
	<u>1,659,496,445</u>	<u>(43,667,733)</u>	<u>1,652,464,164</u>	<u>(48,104,336)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties (Continued)

Payables to related parties

(h) Short-term borrowings

	30 June 2019 (Unaudited)	31 December 2018
QDP Commercial Insurance	-	<u>23,778,780</u>

(i) Accounts payable-

	30 June 2019 (Unaudited)	31 December 2018
QDOT	41,990,298	112,069,541
Evergreen Container	8,620,916	7,137,918
QDP Investment Group	5,016,937	8,230,555
QQCTU	4,960,497	18,283,446
China Marine Bunker Qingdao	4,229,000	-
Shanghai Pan-Asia Shipping	3,880,174	-
Huaneng Qingdao	2,013,893	2,930,896
QDP Investment Real Estate	1,646,537	714,488
Ocean & Great Asia	1,559,811	1,538,482
Shihua Qingdao	1,410,150	505,492
Lianhai Logistics	1,214,429	1,259,987
Qingdao Port Group	1,137,861	42,169
COSCO Shipping Lines Qingdao	1,023,966	1,001,701
West United	183,022	5,082,862
Shenzhouxing Cargo Agency	166,941	1,921,328
Xi'an Xintong	-	670,335
Other related parties	<u>3,395,905</u>	<u>4,021,165</u>
	<u>82,450,337</u>	<u>165,410,365</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties (Continued)

(j) Advances from customers

	30 June 2019 (Unaudited)	31 December 2018
QQCT	98,710,688	197,421,375
Qingdao Shihua	20,000,000	–
QQCTN	1,259,470	2,518,940
QQCTU	605,180	1,210,360
	<u>120,575,338</u>	<u>201,150,675</u>

(k) Contract Liabilities

	30 June 2019 (Unaudited)	31 December 2018
Qingdao Port Group	2,376,579	2,376,579
QHVTC	2,130,978	–
Evergreen Container	1,037,162	1,136,300
China Shipping Agency	524,012	–
United Shipping Agency	500,000	–
Qingdao Ocean Shipping Agency	472,607	567,140
QQCTN	450,000	–
Orient Container	390,948	582,706
Ocean & Great Asia	244,064	737,781
QDP Investment Group	–	2,867,161
QQCT	–	1,500,000
Other related parties	1,250,768	1,325,034
	<u>9,377,118</u>	<u>11,092,701</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties (Continued)

(I) Other payables

Ending balance of money deposits

	30 June 2019 (Unaudited)	31 December 2018
QQCT	933,610,040	424,090,520
Qingdao Port Group	826,251,564	1,369,157,957
QQCTN	810,704,899	367,198,840
Qingdao Shihua	635,854,176	273,967,925
Qingdao Financial Controlling	445,353,567	211,777,414
QQCTI	171,894,131	176,154,579
Dongjiakou IMC Logistics	90,332,263	87,598,655
QQCTU	83,145,022	81,814,033
West United	62,624,340	38,495,088
Fuwai Hospital	58,472,165	41,978,108
Dongjiakou Railway	52,658,481	166,008,287
Ganghai Logistics	51,140,845	81,402,226
QQCTUA	49,421,215	10,409,784
QDP Investment Group	48,436,412	68,376,352
QD Cruise Port Development	47,331,176	67,452,242
Dongjiakou Sinotrans Logistics	23,437,573	25,700,143
Haiwan Liquid Chemicals	22,294,035	15,344,328
Lianhai Logistics	21,323,092	21,485,146
QDP Commercial Insurance	20,692,231	257,654,883
Qingdao Leasing	19,535,789	15,004,136
Ganghua Logistics	15,367,583	15,143,577
Lianrong Logistics	14,013,361	14,230,191
QDOT	12,925,008	20,833,080
Evergreen Container	12,802,708	19,371,642
QD International Cruise	10,355,998	5,852,783
QDP Investment Real Estate	4,771,862	6,755,302
Harbor Hospital	3,704,994	3,686,169
Dongjiakou Mineral Inspection	3,439,450	4,467,994
Insurance Brokerage	3,393,556	2,916,918
Assets Management Company	2,218,695	10,094,096
Qingdao Port Travel Agency	1,644,349	2,078,985
Hongyu Hotel	846,948	6,526,762
Orient Container	415	17,460,359
Qingdao Port Public Security Bureau	-	1,794,769
Other related parties	2,060,438	2,592,676
	<u>4,562,058,381</u>	<u>3,934,875,949</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties (Continued)

(l) Other payables (Continued)

Dividends payable -

	30 June 2019 (Unaudited)	31 December 2018
Qingdao Port Group	1,337,371,366	-
Shanghai China Shipping Terminal	385,592,944	-
Malai Storage	42,526,400	-
COSCO Shipping Qingdao	36,451,200	-
China Shipping Terminal Development	36,451,200	-
	<u>1,838,393,110</u>	<u>-</u>

Others -

	30 June 2019 (Unaudited)	31 December 2018
QDP Investment Group	23,587,404	19,790,200
QQCT	13,677,161	23,219,808
QQCTU	6,515,990	5,350,158
Evergreen Containers	1,004,178	2,850
QQCTN	862,929	1,014,222
QQCTUA	859,693	844,486
Qingdao Ocean Shipping Agency	585,742	1,419,492
Pilot Station	-	964,595
Other related parties	2,006,913	2,046,936
	<u>49,100,010</u>	<u>54,652,747</u>
	<u>6,449,551,501</u>	<u>3,989,528,696</u>

(m) Current portion of non-current liabilities

	30 June 2019 (Unaudited)	31 December 2018
Qingdao Leasing	<u>70,706,697</u>	<u>66,414,520</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties (Continued)

(n) Long-term payables

	30 June 2019 (Unaudited)	31 December 2018
Qingdao Leasing	<u>–</u>	<u>488,716,378</u>

(o) Other non-current liabilities

	30 June 2019 (Unaudited)	31 December 2018
QQCT	2,717,061,497	2,815,772,185
QQCTN	49,119,330	50,378,800
QQCTU	<u>14,322,593</u>	<u>14,927,773</u>
	<u>2,780,503,420</u>	<u>2,881,078,758</u>

(p) Lease liabilities

	30 June 2019 (Unaudited)	31 December 2018
Qingdao Leasing	<u>462,516,772</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(7) Operating lease receipts after the balance sheet date

As the lessor, the undiscounted amount of the lease receivables of related parties after the balance sheet date is summarized as follows:

	30 June 2019 (Unaudited)	31 December 2018
QQCT	346,043,400	356,950,000
QQCTU	115,480,400	120,028,000
Binzhou Port QDP International Terminal	41,919,000	45,897,000
QQCTUA	22,875,000	23,790,000
Qingdao Shihua	20,000,000	–
QQCTN	15,375,000	15,990,000
Evergreen Container	10,920,000	6,337,500
Ganghai Logistics	4,997,800	–
Orient Container	3,995,800	–
Lianrong Logistics	2,543,900	–
Micro Lending Company	891,000	263,250
Pilot Station	402,972	–
West United	258,000	516,000
Lianhai Logistics	100,000	–
Qingdao Financial Controlling	–	101,000
	<u>585,802,272</u>	<u>569,872,750</u>

(8) Off-balance sheet activities

As entrusted by related parties, the Company's subsidiary, Qingdao Finance, offers entrusted loans to other designated related parties. For the six months ended 30 June 2019, principal of new entrusted loan business offered by Qingdao Finance amounts to RMB1,171,000,000 (For the six months ended 30 June 2018: RMB3,007,245,000). As at 30 June 2019, entrusted loans amounted to RMB1,096,000,000 (31 December 2018: RMB2,656,500,000). Maturity of entrusted loans aforesaid ranged from 1 year to 10 years. If the principal and interest of entrusted loans cannot be recovered, the risk is borne by the entrusted loan fund provider rather than Qingdao Finance. Entrusted loans aforesaid are classified into off-balance sheet items. Therefore, related balances of receivable and payable are not recognised in the consolidated financial statements. Management considered that the entrusted loans arrangement aforesaid will not expose the Group to any significant credit risk. Off-balance sheet activities related to investment commitments are set out in Note 10.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

9 OTHER EVENTS

On 15 August 2014, Qingdao Maritime Court presented Notice of Response to Action and other documents to Qingdao Port Group and the Company (“QDP Relevant Parties”). The plaintiff, Pacorini Metals (Shanghai) Logistics Co. Ltd. (“Pacorini Logistics”) requested the court to order that Qingdao Hongtu Logistics Co., Ltd. (“Qingdao Hongtu”, third party freight agency company) and QDP Relevant Parties to deliver the aluminum ingot (“Litigation I”) and alumina (“Litigation II”) stored at QDP Relevant Parties to Pacorini Logistics, or to compensate for the corresponding value of the cargo (aluminum ingot amounted to approximately RMB120,065,057, and alumina amounted to approximately USD38,892,195), and Qingdao Hongtu and QDP Relevant Parties should bear all property preservation fees and litigation costs incurred.

On 28 July 2014, Qingdao Maritime Court presented Notice of Response to Action and other documents to QDP Relevant Parties. The plaintiff CITIC Australia Commodity Trading Pty Ltd. (“CITIC”) requested the court to order that QDP Relevant Parties delivered the cargo stored at QDP Relevant Parties (“Litigation III”), or to compensate for the corresponding value of the cargo amounted to approximately USD108,078,798 (equivalent to approximately RMB664,987,225), and QDP Relevant Parties should bear all property preservation fees and litigation costs incurred.

The above involved cargoes were stored at QDP Relevant Parties under the name of Hongtu Logistics, and have been detained by the Public Security Authority due to Hongtu Logistics’ suspected involvement in criminal activities, and Hongtu Logistics were under a fraud investigation by the Public Security Authority as well. On 25 April 2019, the Court made the final judgement for the “Litigation I”, QDP Relevant Parties do not need to bear any responsibility. “Litigation II” and “Litigation III” were transferred to the public security organ for ruling by the court. Up to the date of this financial statements authorised for issuing, there has been no other progress in the above cases.

Given there is no contractual relationship between the Companies, Pacorini Logistics and CITIC, the Directors have the consistent view that the aforesaid litigations are lack of sufficient basis. As the above events took place before the incorporation date of the Company, according to the arrangement of the restructuring agreement reached between the Company and Qingdao Port Group on 25 November 2013, Qingdao Port Group will provide corresponding compensation to the Company for the damages arising from the judgement which may be rendered against the Company by the Court. Accordingly the Directors were of the view that the aforesaid litigations and the related judgement and order would not impose any adverse impact on the business and operation of the Group, and no provision was needed for the events mentioned above.

On 18 July 2017, Datang Port, a subsidiary of the Company, received the litigation documents from the court. As the plaintiff, China Ocean Engineering Construction General Bureau (“COECG”) requested Datang Port to pay off construction fees amounting to RMB28,908,677 and associated interest on late payments. Qingdao Intermediate People’s Court of Shandong Province ruled on 22 March 2019 that Datang Port must pay off the construction debt of RMB15,696,535 to COECG and the interest on similar loans in the same period based on the amount, and rejected other proceedings of COECG. Up to the date of this financial statements authorised for issuing, Datang Port has paid the amounts in relation to the litigation. It is expected that the litigation has no adverse impact on the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

10 COMMITMENTS

(1) Capital commitments

Capital expenditures contracted for by the Group at the balance sheet date but are not yet necessary to be recognised on the balance sheet are as follows:

	30 June 2019 (Unaudited)	31 December 2018
Port facilities and others	<u>836,033,831</u>	<u>1,422,360,661</u>

(2) Investment commitments

In accordance with the joint investment agreement signed between the Group and Binzhou Port Group Co., Ltd. in December 2014, the Group is committed to make an investment of RMB25,000,000 into the joint venture, Binzhou Port QDP International Terminal. As at 30 June 2019, the Company has made an accumulated contribution of RMB4,000,000 with an amount of RMB21,000,000 unpaid.

Pursuant to an agreement with Maersk Wharf Limited ("Maersk Wharf") and Vado Investment in October 2016, the Group undertakes to purchase a 16.5% stake in Vado Investment held by Maersk Terminal for EUR 1,745,370 and The share ratio increased to the Vado Investment Company by EUR 14,077,800, with a total commitment of EUR 15,823,170. As at 30 June 2019, the amount of the unpaid investment was EUR 5,692,870.

(3) Credit commitments

As at 30 June 2019, Qingdao Port Group, its subsidiaries and other related parties purchased raw materials and equipment from third parties, thus have issued acceptance notes through Qingdao Finance with RMB54,303,809 in total (31 December 2018: RMB113,447,934). Qingdao Finance collected some guarantee from the applicant at certain proportion of the amount issued, and will pay to the third party directly when the notes fall due.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

10 COMMITMENTS (Continued)

(4) Other credit commitments

The Group entered into contracts with clients, some requested the Group to issue letter of guarantee to insure that the project will be completed in time with required quality as set out in the contract. As at 30 June 2019, Qingdao Finance issued letter of guarantee with the amount of approximately RMB141,881,950 (31 December 2018: RMB50,707,950) for the purpose aforesaid.

In view of the application of QDP Logistics to the Shanghai Futures Exchange for domestic natural rubber and imported No. 3 smoke film futures designated delivery warehouse qualification (application for a total storage capacity of 50,000 tons), in order to develop domestic natural rubber and imported No. 3 smoke film period stock warehousing and related extension for the logistics business, the Board of Directors agreed to issue a guarantee letter for the application and business of the delivery warehouse qualification for the domestic natural rubber and the imported No. 3 cigarette film futures of QDP Logistics according to the relevant regulations of the Shanghai Futures Exchange. The guarantee period is issued by the guarantee letter from 18 December 2017 to 30 June 2019. As at 30 June 2019, QDP Logistics's natural rubber designated delivery warehouse inventory was 80,000 tons and pulp futures was 50,000 tons. The amount of the highest financial liability the company should bear for QDP Logistics because of issuing a letter of guarantee is about RMB1.5 billion. On 30 June 2019, the value of stocks for rubber and pulp futures was RMB735 million.

Qingdao Shihua, a joint venture company of the Company, signed an agreement with Shanghai International Energy Trading Center Co., Ltd. on 13 February 2018 to become the designated delivery warehouse of Shanghai International Energy Trading Center. The company will carry out futures commodity storage and storage. All liabilities for all operations such as delivery and delivery shall be irrevocable and jointly guaranteed, and the guarantee period shall be two years from the date on which Qingdao Shihua shall bear the relevant liabilities. As at 30 June 2019, Qingdao Shihua has not yet had any related business transactions, and related contracts of crude oil futures delivery warehouse were due.

11 EVENTS AFTER THE BALANCE SHEET DATE

On 22 August 2019, Shandong Port Group Co., Ltd. ("Shandong Port Group"), Qingdao SASAC, the State-owned Assets Supervision & Administration Commission of Weihai Municipal Government and QDP had entered into the *Gratuitous Transfer Agreement of the Equity Interests in Qingdao Port (Group) Co., Ltd. among Shandong Port Group Co., Ltd., the State-owned Assets Supervision & Administration Commission of Qingdao Municipal Government, and the State-owned Assets Supervision & Administration Commission of Weihai Municipal Government* (the "Gratuitous Transfer Agreement"), pursuant to which, Qingdao SASAC shall gratuitously transfer 100% equity interests in QDP (including 100% equity interests in Weihai Port Group to be held by QDP) to Shandong Port Group, QDP will become a wholly-owned subsidiary of Shandong Port Group. The closing of the Gratuitous Transfer is subject to the taking effect of the Gratuitous Transfer Agreement, A shares of the Company having being listed for one year, the approval from the State Administration for Market Regulation on the declaration of concentration of business undertakings involved in the Gratuitous Transfer, and the exemption from the China Securities Regulatory Commission and the waiver from Hong Kong Securities and Futures Commission on the obligation of making a general offer regarding the shares of the Company by Shandong Port Group triggered by the Gratuitous Transfer. As at the issuing date of the financial statements, the closing of the Gratuitous Transfer has not been completed. Upon completion of the Gratuitous Transfer, QDP will remain as the controlling shareholder of the Company, while the ultimate controller of the Company will change from Qingdao SASAC to the State-owned Assets Supervision & Administration Commission of Shandong Provincial Government.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

12 OPERATING LEASE RECEIPTS AFTER THE BALANCE SHEET DATE

As the lessor, the undiscounted amount of the lease receivables receivable after the balance sheet date is summarized as follows:

	30 June 2019 (Unaudited)	31 December 2018
Within a year	98,127,285	60,553,428
One to two years	46,150,100	52,620,588
Two to three years	43,376,000	42,728,000
Three to four years	42,647,000	42,667,250
Four to five years	42,647,000	42,647,000
More than five years	331,144,000	355,384,500
	<u>604,091,385</u>	<u>596,600,766</u>

13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK

The Group's activities expose it to a variety of financial risks: market risk (primarily including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The financial risks and the risk management policies adopted by the Group to reduce the risks are as follows:

The Board of Directors is responsible for planning and establishing the risk management structure of the Group, formulating the Group's risk management policies and relevant guidelines and monitoring the implementation of risk management measures. The Group has formulated risk management policies to identify and analyze the risks the Group exposes to. Specific risks are explicitly stipulated by these risk management policies, covering management of market risk, credit risk and liquidity risk, etc. The Group assesses market environment and changes of operating activities of the Group periodically to determine whether updates are needed for risk management policies and systems. Risk management of the Group is carried out by the risk management committee according to the approval of the Board of Directors. Risk management committee identifies, evaluates and mitigates relevant risks through close cooperation with other business departments of the Group. The Group's audit department periodically reviews the risk management controls and procedures, and reports the results to the Group's Audit Committee.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. Foreign exchange risk arises from transactions denominated in foreign exchange (foreign currency assets and liabilities and foreign currency transactions are mainly denominated in USD and HKD). The Group monitors the scale of foreign currency transactions and foreign currency assets and liabilities to minimize foreign exchange risks. As at 30 June 2019 the Group did not sign forward foreign exchange contracts or currency swap contracts.

As at 30 June 2019 and 31 December 2018, the carrying amounts in RMB equivalent of the Group's financial assets, financial liabilities and lease liabilities denominated in foreign currencies are summarized below:

	30 June 2019 (Unaudited)			Total
	USD	HKD	Others	
Financial assets denominated in foreign currency -				
Cash at bank and on hand	1,093,633,986	60,355	196,345	1,093,890,686
Accounts receivable	104,740,951	-	-	104,740,951
Other receivables	191,243,369	-	-	191,243,369
	<u>1,389,618,306</u>	<u>60,355</u>	<u>196,345</u>	<u>1,389,875,006</u>
Financial liabilities denominated in foreign currency -				
Accounts payable	(89,748,607)	-	-	(89,748,607)
Other payables	(37,248,181)	-	-	(37,248,181)
Short-term borrowings	(301,431,843)	-	-	(301,431,843)
Long-term borrowings	-	-	(80,213,903)	(80,213,903)
	<u>(428,428,631)</u>	<u>-</u>	<u>(80,213,903)</u>	<u>(508,642,534)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

(1) Market risk (Continued)

(a) Foreign exchange risk (Continued)

	31 December 2018			Total
	USD	HKD	Others	
Financial assets denominated in foreign currency -				
Cash at bank and on hand	1,153,078,854	171,963	-	1,153,250,817
Receivables	96,487,714	-	312,326	96,800,040
	<u>1,249,566,568</u>	<u>171,963</u>	<u>312,326</u>	<u>1,250,050,857</u>
Financial liabilities denominated in foreign currency -				
Payables	(58,923,791)	-	(19,735)	(58,943,526)
Short-term borrowings	(44,853,424)	-	-	(44,853,424)
Long-term borrowings	-	-	(80,524,826)	(80,524,826)
	<u>(103,777,215)</u>	<u>-</u>	<u>(80,544,561)</u>	<u>(184,321,776)</u>

As at 30 June 2019, if RMB had strengthened/weakened by 4% against the USD while all other variables had been held constant, the Group's net profit for the period would have been approximately RMB28,836,000 (31 December 2018: approximately RMB31,813,000) lower/higher for various financial assets and liabilities denominated in USD, which would have no effect on other comprehensive income.

As at 30 June 2019, if RMB had strengthened/weakened by 4% against the HKD while all other variables had been held constant, the Group's net profit for the period would have been approximately RMB2,000 (31 December 2018: approximately RMB5,000) lower/higher for various financial assets denominated in HKD, which would have no effect on other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

(1) Market risk (Continued)

(b) Interest rate risk

The Group's interest rate risk arises from cash at bank and on hand, loans provided to related parties and third parties, customer deposits at Qingdao Finance, bank borrowings, bonds payable and other interest bearing claims and debts. Except for certain cash at bank and on hand, certain customer deposits at Qingdao Finance, loans provided to related parties and third parties with fixed interest rate and bonds payable, the amounts aforesaid are all subject to floating interest rate. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions.

As at 30 June 2019, the Group's interest bearing liabilities included customer deposits at Qingdao Finance of RMB4,568,735,847 (Note 4(29)), among which RMB4,339,406,652 was subject to floating interest rate and the remaining are subject to fixed interest rate; bonds payable of RMB2,133,207,034 (Note 4(31)) was subject to fixed interest rate; and bank borrowings of RMB606,438,312 (Note 4(22), (30)), among which RMB180,544,206 was subject to floating rates and the remaining are subject to fixed interest rate.

As at 30 June 2019, the Group's interest bearing assets included cash at bank and on hand of RMB11,376,939,312 (Note 4(1)), among which RMB7,769,251,75 was subject to floating interest rate and the remaining are subject to fixed interest rate; and loans provided to related parties and third parties of RMB2,773,372,686 (Note 4(7), (11)), among which RMB2,200,379,865 was subject to floating rates and the remaining are subject to fixed interest rate.

The Group continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new liability and the interest expenses with respect to the Group's outstanding floating rate liability, and therefore could have a certain effect on the Group's financial position. The management makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. For the six months ended 30 June 2019, the Group did not enter into any interest rate swap agreements (for the six months ended 30 June 2018: nil).

As at 30 June 2019, if bank interest rates on the floating rate borrowings had risen/fallen by 50 basis points while all other variables had been held constant, the Group's net profit would have decreased/increased by approximately RMB677,000 (31 December 2018: approximately RMB790,000).

As at 30 June 2019, if interest rates on cash at bank and on hand, loans provided to related parties and customer deposits at Qingdao Finance subject to the floating rate borrowings for the period ended 30 June 2019 had risen/fallen by 8% while all other variables had been held constant, the Group's net profit would have increased/decreased by approximately RMB5,533,000 (31 December 2018: approximately RMB5,644,000).

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

(1) Market risk (Continued)

(c) Other price risks

The Group's other price risks mainly arise from all kinds of equity instrument investments, with risk of changes in the price of equity instruments.

As at 30 June 2019, if the expected price of the Group's various equity instrument investments increased or decreased by 10% while all other variables had been held constant, the Group's net profit would have increased or decreased by approximately RMB5,415,591.

(2) Credit risk

The Group's credit risk mainly arises from cash at bank and on hand, notes receivable, accounts receivable, financing receivables, other receivables, contract assets, debt investment, other debt investments and financial guarantee contract as well as debt instrument investment and financial derivatives measured at fair value and whose changes are recorded into current profits and losses. On the balance sheet date, the book value of the Group's financial assets has represented its maximum credit risk exposure; the maximum credit risk exposure outside the balance sheet is the maximum amount of RMB54,303,809 required to perform financial guarantee.

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has policies to limit the credit exposure on notes receivable, accounts receivable, financing receivables, other receivables and contract assets. The Group assesses the credit quality of and sets credit periods on its debtors by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the debtors is regularly monitored by the Group. In respect of debtors with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

As at 30 June 2019, the Group has no significant collateral or other credit enhancement as collateral.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

(3) Liquidity risk

Each subsidiary within the Group is responsible for its own cash flow projections. On the basis of summarizing the cash flow forecasts of each subsidiary, the Group continuously monitors short-term and long-term capital needs at the group level to ensure that sufficient cash reserves and marketable securities are readily available and continuous monitoring of compliance with the loan agreement provisions, from major financial institutions to obtain sufficient backup funds to meet short-term and long-term funding needs.

The financial liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	30 June 2019 (Unaudited)				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	436,218,050	-	-	-	436,218,050
Notes payable	1,138,140,158	-	-	-	1,138,140,158
Accounts payable	1,498,344,618	-	-	-	1,498,344,618
Other payables	9,264,891,384	-	-	-	9,264,891,384
Lease liabilities	-	159,475,622	361,141,172	7,076,585	527,693,379
Current portion of non-current liabilities	131,428,518	-	-	-	131,428,518
Bonds payable	50,638,813	2,231,145,051	-	-	2,281,783,864
Long-term borrowings	5,408,389	33,830,003	123,200,750	-	162,439,142
Long-term payables	-	2,080,000	6,240,000	36,770,384	45,090,384
	<u>12,525,069,930</u>	<u>2,426,530,676</u>	<u>490,581,922</u>	<u>43,846,969</u>	<u>15,486,029,497</u>
	31 December 2018				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	170,570,263	-	-	-	170,570,263
Notes payable	957,024,876	-	-	-	957,024,876
Accounts payable	1,581,607,319	-	-	-	1,581,607,319
Other payables	5,972,349,017	-	-	-	5,972,349,017
Current portion of non-current liabilities	3,653,353,489	-	-	-	3,653,353,489
Long-term borrowings	5,492,813	33,527,124	139,063,632	-	178,083,569
Long-term payables	-	137,254,611	392,409,982	55,378,897	585,043,490
	<u>12,340,397,777</u>	<u>170,781,735</u>	<u>531,473,614</u>	<u>55,378,897</u>	<u>13,098,032,023</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

(3) Liquidity risk (Continued)

On the balance sheet date, the amount of financial guarantee provided by the Group is not the amount required by the relevant party.

Bank borrowings and bonds payable are analysed by repayment terms as follows:

	30 June 2019 (Unaudited)		31 December 2018	
	Bank borrowings	Bonds payable	Bank borrowings	Bonds payable
Within 1 year	458,245,323	16,307,034	194,092,204	-
1 to 2 years	28,910,000	-	27,910,000	-
2 to 5 years	119,282,989	2,116,900,000	132,882,988	3,500,000,000
Over 5 years	-	-	-	-
	<u>606,438,312</u>	<u>2,133,207,034</u>	<u>354,885,192</u>	<u>3,500,000,000</u>

14 FAIR VALUE ESTIMATES

The level of fair value measurement is determined by the lowest level of inputs which has significant impact on fair value management:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

14 FAIR VALUE ESTIMATES (Continued)

(1) Assets measured at fair value on a recurring basis

As at 30 June 2019, the Group's wealth management products in financial assets held for trading of RMB4,000,000 (As at 31 December 2018: RMB4,000,000)(Note 4(2)), interbank deposit certificates of RMB693,499,200 (As at 31 December 2018: RMB2,379,192,650) (Note 4(10)) of other current assets and financial bonds of other non-current financial assets of RMB289,143,540 (As at 31 December 2018: RMB135,372,690) (Note 4 (13)) included in other current assets are with quoted prices (unadjusted) in active markets and are categorized in Level 1; the remaining wealth management products of financial assets held for trading of RMB956,000,000 and other non-current financial assets of RMB72,207,877 (As at 31 December 2018: the remaining wealth management products of financial assets held for trading of RMB871,000,000 and other non-current financial assets of RMB133,207,877) (Note 4(2), (13)) are determined using unobservable inputs and included in Level 3.

For financial instruments traded in the active market, the Group determines their fair value with their active market quotations; for financial instruments that are not traded in active markets, the Group uses valuation techniques to determine their fair value. The valuation models used mainly include cash flow discount model and market comparable company model. The input values of valuation technology mainly include risk-free interest rate, benchmark interest rate, expected yield, liquidity premium, EBITDA multiplier and liquidity discount.

Changes of the above Level 3 financial assets are analysed below:

	Financial assets held for trading	Other non-current financial assets	Total
31 December 2018	871,000,000	133,207,877	1,004,207,877
Purchases (Unaudited)	700,000,000	-	700,000,000
Sales and Current reclassification (Unaudited)	<u>(615,000,000)</u>	<u>(61,000,000)</u>	<u>(676,000,000)</u>
30 June 2019 (Unaudited)	<u>956,000,000</u>	<u>72,207,877</u>	<u>1,028,207,877</u>
Total gains in the current period (Unaudited) (a)	13,083,360	29,250	13,112,610
Gains recognised in profit	13,083,360	29,250	13,112,610

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

14 FAIR VALUE ESTIMATES (Continued)

(1) Assets measured at fair value on a recurring basis (Continued)

The unrealized gain or loss recorded in the current profit and loss is nil.

	Financial assets held for trading	Other non-current financial assets	Total
31 December 2017	–	–	–
Changes in accounting policies (Unaudited)	639,000,000	183,565,665	822,565,665
1 January 2018 (Unaudited)	639,000,000	183,565,665	822,565,665
Purchases (Unaudited)	825,000,000	–	825,000,000
Sales (Unaudited)	(845,812,240)	–	(845,812,240)
Total gains in the current period (Unaudited)	16,812,240	139,600	16,951,840
Gains recognised in profit (Unaudited)	<u>16,812,240</u>	<u>139,600</u>	<u>16,951,840</u>
30 June 2018 (Unaudited)	<u>635,000,000</u>	<u>183,705,265</u>	<u>818,705,265</u>

- (a) Gains or losses included in the current profit and loss are included in the income statement, such as changes in fair value changes, investment income, etc.
- (b) As at 30 June 2019, the Company's Level 3 financial assets are mainly wealth management products and equity instruments. The valuation method is expected return method, market comparable company method, etc.

Gains recognised in profit are included in the income statement under the items of investment income.

The unobservable input of above Level 3 financial asset is its expected return, which is used by the management to evaluate its fair value.

(2) Assets and liabilities not measured at fair value but for which the fair value is disclosed

Financial assets and liabilities measured at amortized cost mainly include account receivables, notes receivables, other receivables, debt investments, long-term receivables, short-term borrowings, notes payables, account payables, other payables, bonds payable, long-term borrowings, long-term payables, etc.

The carrying amount of the other financial assets and liabilities not measured at fair value has little difference with their fair value.

NOTES TO THE FINANCIAL STATEMENTS

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(All amounts in RMB Yuan unless otherwise stated)

15 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce debts.

The Group is not subject to external mandatory capital requirements and monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated by interest bearing liabilities deducting cash and cash equivalents. Total capital is calculated by shareholder's equity presented in consolidated balance sheet plus net debt.

As at 30 June 2019 and 31 December 2018, the Group's gearing ratio is as follows:

	30 June 2019 (Unaudited)	31 December 2018
Bank borrowings (Note 4(22), (30))	606,438,312	354,885,192
Customer deposits at Qingdao Finance (Note 4(29))	4,568,735,847	3,923,373,004
Bonds payable (Note 4(31))	2,133,207,034	3,500,000,000
Less: Cash (Note 4(55)(d))	<u>(7,310,283,953)</u>	<u>(4,014,278,650)</u>
Net debt	(1,902,760)	3,763,979,546
Shareholders' equity	<u>31,169,020,796</u>	<u>29,419,524,243</u>
Total capital	<u>31,169,020,796</u>	<u>33,183,503,789</u>
Gearing ratio	<u>0%</u>	<u>11%</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)
(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Notes receivable

	30 June 2019 (Unaudited)	31 December 2018
Trade acceptance notes	66,856,474	–
Less: Provision for bad debts (a)	<u>(3,342,824)</u>	–
	<u>63,513,650</u>	<u>–</u>

(a) The Company measures the provision of notes receivable based on the lifetime ECL regardless of whether there exists a significant financing component. As at 30 June 2019, the Company had no notes receivable with provision for impairment on individual basis.

(b) As at 30 June 2019 and 31 December 2018, the Company has no pledged acceptance notes.

(2) Accounts receivable

	30 June 2019 (Unaudited)	31 December 2018
Accounts receivable	822,684,885	763,749,902
Less: Provision for bad debts	<u>(42,178,774)</u>	<u>(37,351,896)</u>
	<u>780,506,111</u>	<u>726,398,006</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(2) Accounts receivable (Continued)

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

	30 June 2019 (Unaudited)	31 December 2018
Within 1 year	733,925,572	728,942,494
1 to 2 years	69,291,655	27,889,791
2 to 3 years	16,887,504	800,000
3 to 4 years	-	4,733,134
4 to 5 years	2,580,154	1,384,483
Over 5 years	-	-
	<u>822,684,885</u>	<u>763,749,902</u>

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

(b) Accounts receivable are analysed by category as follows:

	30 June 2019 (Unaudited)			
	Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Lifetime ECL rate
Bad debt provision on the individual basis (i)	1,195,671	0.15%	(1,195,671)	100.00%
Bad debt provision on the grouping basis				
Group A	107,275,183	13.04%	-	-
Group C (ii)	714,214,031	86.82%	(40,983,103)	5.74%
	<u>822,684,885</u>	<u>100.00%</u>	<u>(42,178,774)</u>	<u>5.13%</u>

For accounts receivable, the Group measures the loss provision based on the lifetime expected credit losses regardless of whether there exists a significant financing component.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(2) Accounts receivable (Continued)

(b) Accounts receivable are analysed by category as follows: (Continued)

(i) As at 30 June 2019, accounts receivable for which the related provision for bad debts is made on the individual basis are analysed as follows:

	Ending balance	Lifetime ECL rate	Provision for bad debts	Reason
Receivables from Haikou Nantsing	<u>1,195,671</u>	100.00%	<u>(1,195,671)</u>	i)

i) As Haikou Nantsing has declared bankruptcy, the company has made full provision for bad debts in response to the payment of the amount.

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

	30 June 2019 (Unaudited)		
	Ending balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Within 1 year	673,961,549	5.00%	(33,698,077)
1 to 2 years	27,414,795	10.00%	(2,741,479)
2 to 3 years	11,453,204	30.00%	(3,435,961)
3 to 4 years	-	50.00%	-
4 to 5 years	1,384,483	80.00%	(1,107,586)
Over 5 years	-	100.00%	-
	<u>714,214,031</u>	<u>5.74%</u>	<u>(40,983,103)</u>

As at 30 June 2019, the Company's net profit will be reduced by approximately RMB3,073,733 (31 December 2018: RMB2,711,717), if the lifetime ECL rate for each ageing band increased by 10%, while other factors remain unchanged.

(iii) For the six months ended on 30 June 2019, the provision for bad debts in the current period amounted to RMB4,826,878, and there are no reversal or written off of the Company's provision for bad debts for the current period.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(2) Accounts receivable (Continued)

(c) As at 30 June 2019, the total amount of top five accounts receivable is analysed as follows:

	Amount	Provision for bad debts	% of total accounts receivable balance
Total amount of top five accounts receivable	<u>183,977,564</u>	<u>(11,161,763)</u>	<u>38.80%</u>

(d) As at 30 June 2019, the Company did not have any receivables that were derecognised due to the transfer of financial assets (As at 31 December 2018: nil).

(e) As at 30 June 2019, the Company has no pledge of accounts receivable.(31 December 2018: nil)

(3) Financing receivables

	30 June 2019 (Unaudited)	31 December 2018
Bank acceptance notes	<u>327,875,798</u>	<u>357,958,050</u>

(a) The Company endorses part of the bank acceptance notes for its daily fund management purpose. Therefore, the bank acceptance notes are classified as financial assets at fair value through other comprehensive income as at 30 June 2019. The Company believes that its bank acceptance notes do not expose to significant credit risk and will not cause significant losses by bank default.

(b) As at 30 June 2019 and 31 December 2018, the Company had no pledged acceptance notes.

(c) As at 30 June 2019, the bank acceptance notes that the Company has endorsed but have not yet expired amounted to RMB425,520,027 and has derecognised (31 December 2018: RMB526,227,118).

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(4) Other receivables

	30 June 2019 (Unaudited)	31 December 2018
Port construction fees receivable	61,154,690	39,299,143
Interest receivable	35,060,581	8,041,075
Construction expenditures paid on behalf of subsidiaries (i)	29,999,957	30,511,179
Deposits and guarantees	15,734,489	14,301,232
Receivable subsidiary rental fee	12,242,150	–
Dividends receivable	6,000,000	–
Others	42,357,259	39,407,005
	<u>202,549,126</u>	<u>131,559,634</u>
Less: Provision for bad debts	<u>(9,651,765)</u>	<u>(5,478,767)</u>
	<u>192,897,361</u>	<u>126,080,867</u>

(i) Construction expenditures paid on behalf of subsidiaries mainly consists of advance payment of construction expenditures for Mercuria Logistics, Qingdao Port Engineering and other subsidiaries.

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

	phase 1	
	ECL over the next 12 months	
	Amount	Provision for bad debts
31 December 2018	131,559,634	(5,478,767)
Increase in the current period (Unaudited)	70,989,492	(4,172,998)
	<u>202,549,126</u>	<u>(9,651,765)</u>
30 June 2019 (Unaudited)	<u>202,549,126</u>	<u>(9,651,765)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(4) Other receivables (Continued)

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

- (i) As at 30 June 2019, the provision for bad debts for other receivables in the first phase are as follows:

	Amount	The ECL rate for the next 12 months	Provision for bad debts	Reason
Provision for bad debts on the grouping basis:				
Group A	42,242,107	–	–	
Group D	160,307,019	6.02%	(9,651,765)	i)
	<u>202,549,126</u>		<u>(9,651,765)</u>	

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

	30 June 2019		
	Ending balance	Provision for bad debts	
	Amount	ECL rate for the next 12 months	Amount
Within 1 year	135,464,470	5.00%	(6,773,224)
1 to 2 years	23,531,190	10.00%	(2,353,119)
2 to 3 years	973,445	30.00%	(292,034)
3 to 4 years	203,600	50.00%	(101,800)
4 to 5 years	13,632	80.00%	(10,906)
Over 5 years	120,682	100.00%	(120,682)
	<u>160,307,019</u>	<u>6.02%</u>	<u>(9,651,765)</u>

- (ii) As at 30 June 2019, the Company does not have other receivables in the second and third phase.

- (b) For the six months ended 30 June 2019, the amount of bad debt provision reversed during the period was RMB4,172,998, which was reversed for the amount of bad debt provision made on the grouping basis. For the six months ended 30 June 2019, the Company has no other receivables actually written off.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(4) Other receivables (Continued)

(c) As at 30 June 2019, top five other receivables are analysed as follows:

	Nature	Amount	Ageing	% of total	Provision for bad debts
Qingdao Port Group	Construction expenditures paid on behalf of others	21,784,006	Within 1 year and 1 to 2 years	13.01%	(1,089,200)
Mercuria Logistics	Construction expenditures paid on behalf of others	29,999,957	Within 1 year and 3 to 4 years	17.91%	-
Qingdao Leasing	Guarantee	9,886,400	Within 1 year	5.90%	(494,320)
Chiping Xinfu Huayu Alumina Co., Ltd.	Port construction fees	9,255,481	Within 1 year	5.53%	(462,774)
Shandong Laigang Yongfeng Iron and Steel Co., Ltd.	Port construction fees	7,668,450	Within 1 year	4.58%	(383,423)
		<u>78,594,294</u>		<u>46.93%</u>	<u>(2,429,717)</u>

(d) As at 30 June 2019 and 31 December 2018, the company did not have government grants recognised in accordance with the amount receivable.

(5) Long-term receivables

	30 June 2019 (Unaudited)	31 December 2018
Loans provided to subsidiaries	2,357,358,045	2,510,000,000
Loans provided to other related parties (i)	222,738,760	310,000,000
Less: Overdue within one year	<u>(1,036,238,722)</u>	<u>(910,000,000)</u>
Less: Provision for bad debts	<u>(5,865,889)</u>	<u>(8,191,106)</u>
	<u>1,537,992,194</u>	<u>1,901,808,894</u>

(i) Loans to other related parties include long-term entrusted loans provided by the Company to related parties. Among them, the loan and related loan impairment provisions that will be recovered within one year are listed as non-current assets due within one year.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(5) Long-term receivables (Continued)

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

(i) As at 30 June 2019, the analysis of long-term receivables in stage 1 are as follows:

	<u>Stage 1</u>	
	<u>ECL over the next 12 months</u>	
	Amount	Provision for bad debt
31 December 2018	2,820,000,000	(8,191,106)
Reverse in the current period	<u>(239,903,195)</u>	<u>2,325,217</u>
30 June 2019 (Unaudited)	<u><u>2,580,096,805</u></u>	<u><u>(5,865,889)</u></u>

	Amount	ECL rate for the next 12 months	Provision for bad debt	Reason
Provision for bad debts on the grouping basis:				
Group A	2,357,358,045	0.00%	-	
Group B	<u>222,738,760</u>	2.63%	<u>(5,865,889)</u>	Note 4(7)
	<u><u>2,580,096,805</u></u>		<u><u>(5,865,889)</u></u>	

(ii) As at 30 June 2019, there is no long-term receivables in stage 2 and stage 3.

(b) As at 30 June 2019 and 31 December 2018, the company has no loans provided to employees.

(6) Long-term equity investments

	30 June 2019 (Unaudited)	31 December 2018
Subsidiaries (a)	3,902,701,640	3,913,513,156
Joint ventures (b)	10,032,410,862	9,335,621,836
Associates (c)	<u>109,068,852</u>	<u>104,001,980</u>
	<u><u>14,044,181,354</u></u>	<u><u>13,353,136,972</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(6) Long-term equity investments (Continued)

(a) Subsidiaries

	Accounting Method	31 December 2018	Increase in investment (Unaudited)	Decrease in investment (Unaudited)	30 June 2019 (Unaudited)	Profit declared in the current period (Unaudited)
Yongli Insurance	Cost method	7,866,558	-	-	7,866,558	-
QDP Logistics	Cost method	257,374,925	-	-	257,374,925	-
Hongyu Cargo Agency	Cost method	12,811,516	-	(12,811,516)	-	-
GLS Shipping	Cost method	23,580,830	-	-	23,580,830	-
Ocean Shipping Repair	Cost method	3,666,959	-	-	3,666,959	464,131
Qingdao Port Engineering	Cost method	114,455,552	-	-	114,455,552	-
Ocean Shipping Tally	Cost method	389,296,880	-	-	389,296,880	128,102,466
Gangjia Logistics	Cost method	7,299,874	-	-	7,299,874	-
Gangrong Storage	Cost method	7,952,229	-	-	7,952,229	-
Qingdao Port Travel Agency	Cost method	-	-	-	-	-
Duty-free Merchandise	Cost method	2,931,373	-	-	2,931,373	-
Datang Port	Cost method	179,109,502	-	-	179,109,502	-
Qingdao Finance	Cost method	700,000,000	-	-	700,000,000	-
Mercuria Logistics	Cost method	273,278,376	-	-	273,278,376	-
Mercuria Oil Terminal	Cost method	182,079,200	-	-	182,079,200	-
Eimskip Coldchain	Cost method	14,000,000	-	-	14,000,000	-
Qingdao Port Properties	Cost method	5,000,000	-	-	5,000,000	13,045,905
Culture Media	Cost method	3,000,000	-	-	3,000,000	-
International Development	Cost method	40,307,042	-	-	40,307,042	-
Tongbao Shipping	Cost method	20,000,000	-	-	20,000,000	6,799,998
DMT	Cost method	480,000,000	-	-	480,000,000	-
Lianhua Pipeline	Cost method	441,660,000	-	-	441,660,000	-
Technology Company	Cost method	20,000,000	-	-	20,000,000	28,865,796
Svitzer Towage	Cost method	115,500,000	-	-	115,500,000	6,920,270
Tongze Trading	Cost method	10,000,000	-	-	10,000,000	-
Bonded Logistics Centre	Cost method	25,458,868	-	-	25,458,868	-
Liquid Chemical Terminal	Cost method	295,883,472	-	-	295,883,472	-
Tongan Security	Cost method	1,000,000	-	-	1,000,000	-
Qingdong pipe	Cost method	255,000,000	-	-	255,000,000	-
Tongda Oil & Gas	Cost method	25,000,000	-	-	25,000,000	-
Tongan Environmental Protection	Cost method	-	2,000,000	-	2,000,000	-
		<u>3,913,513,156</u>	<u>2,000,000</u>	<u>(12,811,516)</u>	<u>3,902,701,640</u>	<u>184,198,566</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(6) Long-term equity investments (Continued)

(b) Joint ventures

	Accounting Method	31 December 2018	Increase or decrease in investment	Movements in the current period (Unaudited)				30 June 2019 (Unaudited)
				Share of net profit/(loss) under equity method	Cash dividends/profit declared	Other equity changes	Unrealized profits and losses	
QQCT	Equity method	5,576,489,242	-	447,154,004	-	6,124,726	(3,233,489)	6,026,534,483
Qingdao Shihua	Equity method	1,598,312,372	-	199,563,463	-	5,632,260	68,123	1,803,576,218
West United	Equity method	487,092,713	-	14,328,608	-	103,576	(444,899)	501,079,998
Qingwei Container	Equity method	138,668,888	-	11,245,999	-	17,566	-	149,932,453
Evergreen Container	Equity method	71,031,963	-	8,166,590	(21,457,807)	252,699	-	57,993,445
Orient Container	Equity method	53,337,407	-	2,591,364	(7,254,681)	-	-	48,674,090
Haiwan Liquid Chemical	Equity method	148,950,063	-	3,627,032	-	-	-	152,577,095
Ganghai Logistics	Equity method	93,597,573	-	508,185	-	-	-	94,105,758
Shenzhouxing Cargo								
Agency	Equity method	39,525,161	-	3,281,759	-	-	-	42,806,920
China Shipping Agency	Equity method	10,966,207	-	152,271	-	-	-	11,118,478
United Shipping Agency	Equity method	55,661,871	-	768,391	(1,121,560)	-	-	55,308,702
Huaneng Qingdao	Equity method	141,366,590	-	(6,781,127)	-	62,431	-	134,647,894
Dongjiakou IMC Logistics	Equity method	70,351,716	-	10,940,943	-	-	-	81,292,659
QDOT	Equity method	693,024,271	-	20,009,890	-	27,895	(2,509,321)	710,552,735
Henan Yuqing	Equity method	-	-	-	-	-	-	-
Dongjiakou Sinotrans								
Logistics	Equity method	50,496,965	-	779,811	-	-	-	51,276,776
Binzhou Port QDP								
International Terminal	Equity method	13,333,523	-	4,262,281	-	(77,957)	-	17,517,847
PetroChina Storage	Equity method	93,415,311	-	-	-	-	-	93,415,311
		<u>9,335,621,836</u>	<u>-</u>	<u>720,599,464</u>	<u>(29,834,048)</u>	<u>12,143,196</u>	<u>(6,119,586)</u>	<u>10,032,410,862</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(6) Long-term equity investments (Continued)

(c) Associates

	Accounting Method	31 December 2018	Movements for the current period (Unaudited)		30 June 2019 (Unaudited)
			Share of net profit/(loss) under equity method	Cash dividends/ Profit declared	
Ganghua Logistics	Equity method	9,679,972	36,385	-	9,716,357
Qingyin Financial Leasing	Equity method	94,322,008	5,030,487	-	99,352,495
		<u>104,001,980</u>	<u>5,066,872</u>	<u>-</u>	<u>109,068,852</u>

As stated in Note 2(2), at preparation of the Company's financial statements, long-term equity investments of Qingdao Port Group that were contributed into the Company are recognised into the Company's balance sheet based on the appraisal values approved by the competent state-owned management authorities.

(7) Investment properties

	Buildings	Land use rights	Total
Cost			
31 December 2018	<u>264,377,063</u>	<u>1,290,591,224</u>	<u>1,554,968,287</u>
30 June 2019 (Unaudited)	<u>264,377,063</u>	<u>1,290,591,224</u>	<u>1,554,968,287</u>
Accumulated depreciation			
31 December 2018	(52,751,262)	(158,441,090)	(211,192,352)
Increase in the current period (Unaudited)	<u>(5,283,484)</u>	<u>(15,584,464)</u>	<u>(20,867,948)</u>
30 June 2019 (Unaudited)	<u>(58,034,746)</u>	<u>(174,025,554)</u>	<u>(232,060,300)</u>
Net book value			
30 June 2019 (Unaudited)	<u>206,342,317</u>	<u>1,116,565,670</u>	<u>1,322,907,987</u>
31 December 2018	<u>211,625,801</u>	<u>1,132,150,134</u>	<u>1,343,775,935</u>

As at 30 June 2019, the management of the Company considered that there is no indication that the investment properties may be impaired, therefore no provision for impairment is recorded (31 December 2018: nil).

For the six months ended 30 June 2019, no capitalized borrowing cost was recognised in investment properties.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(8) Fixed assets

	Buildings	Port facilities	Storage facilities	Loading equipment	Machinery and equipment	Vessels	Motor vehicles	Communication facilities	Office equipment and others	Total
Cost										
31 December 2018	268,011,857	5,680,411,240	2,179,068,612	932,099,533	272,801,657	922,877,603	53,914,877	93,064,659	21,833,832	10,424,083,870
Changes in accounting policies Note 30(b)	-	-	-	(8,079,310)	-	(91,439,655)	-	-	-	(99,518,965)
1 January 2019	268,011,857	5,680,411,240	2,179,068,612	924,020,223	272,801,657	831,437,948	53,914,877	93,064,659	21,833,832	10,324,564,905
Increase in the current period (Unaudited)										
Transfers from construction in progress	-	-	-	44,222,888	333,261	2,427,601	-	-	-	46,983,750
Purchase in the current period	-	-	-	9,793,481	3,577,347	-	956,208	6,324,474	486,650	21,138,160
Decrease in the current period (Unaudited)										
Disposal and scrapping	-	-	-	(2,821,960)	(2,233,022)	-	(1,102,138)	(807,500)	(5,593)	(6,970,213)
30 June 2019 (Unaudited)	268,011,857	5,680,411,240	2,179,068,612	975,214,632	274,479,243	833,865,549	53,768,947	98,581,633	22,314,889	10,385,716,602
Accumulated depreciation										
31 December 2018	(56,604,998)	(781,027,079)	(291,126,943)	(681,343,727)	(119,625,311)	(274,027,870)	(33,857,522)	(45,851,745)	(14,701,545)	(2,298,166,740)
Changes in accounting policies Note 30(b)	-	-	-	235,806	-	-	-	-	-	235,806
1 January 2019	(56,604,998)	(781,027,079)	(291,126,943)	(681,107,921)	(119,625,311)	(274,027,870)	(33,857,522)	(45,851,745)	(14,701,545)	(2,297,930,934)
Increase in the current period (Unaudited)										
Provision	(6,183,310)	(77,626,534)	(32,994,372)	(41,158,099)	(13,409,436)	(25,598,108)	(2,002,448)	(6,992,128)	(729,417)	(206,693,852)
Decrease in the current period (Unaudited)										
Disposal and scrapping	-	-	-	2,668,470	2,143,343	-	904,607	-	5,322	5,721,742
30 June 2019 (Unaudited)	(62,788,308)	(858,653,613)	(324,121,315)	(719,597,550)	(130,891,404)	(299,625,978)	(34,955,363)	(52,843,873)	(15,425,640)	(2,498,903,044)
Net book value										
30 June 2019 (Unaudited)	205,223,549	4,821,757,627	1,854,947,297	255,617,082	143,587,839	534,239,571	18,813,584	45,737,760	6,889,249	7,886,813,558
31 December 2018	211,406,859	4,899,384,161	1,887,941,669	250,755,806	153,176,346	648,849,733	20,057,355	47,212,914	7,132,287	8,125,917,130

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(8) Fixed assets (Continued)

As at 30 June 2019 and 31 December 2018, the Company had no fixed assets which were mortgaged.

For the sixth months ended 30 June 2019, the amounts of depreciation expenses were RMB206,693,852 (For the sixth months ended 30 June 2018: RMB213,789,799) including charged to cost of sales and general and administrative expenses were RMB198,417,814 and RMB8,276,038 respectively (For the six months ended 30 June 2018: RMB203,353,598 and RMB7,095,947).

For the six months ended 30 June 2019, the costs of fixed assets transferred from construction in progress amount to RMB46,983,750 (For the six months ended 30 June 2018: RMB8,682,537).

As at 30 June 2019, the Company considered that there was no indication that the fixed assets may be impaired, therefore no provision for impairment was required (31 December 2018: nil).

As at 30 June 2019, properties with a carrying amount of RMB179,549 located on non-self-own lands without certificates of title. (31 December 2018: RMB182,916).

(9) Construction in progress

	30 June 2019 (Unaudited)			31 December 2018		
	carrying amount	impairment provision	Net book value	carrying amount	impairment provision	Net book value
Dongjiakou stevedoring, storage and transportation projects for liquid bulk cargo	514,170,761	-	514,170,761	479,440,622	-	479,440,622
Dongjiakou bulk cargo berths and storage yard project	574,071,040	-	574,071,040	641,819,662	-	641,819,662
Other projects	82,039,724	-	82,039,724	95,095,116	-	95,095,116
	<u>1,170,281,525</u>	<u>-</u>	<u>1,170,281,525</u>	<u>1,216,355,400</u>	<u>-</u>	<u>1,216,355,400</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(9) Construction in progress (Continued)

(a) Changes of major projects

Project name	Budget	31 December 2018	Increase in the current period (Unaudited)	Transfer to fixed assets (Unaudited)	Transfer to intangible assets (i) (Unaudited)	30 June 2019 (Unaudited)	% of project investment among budget	Progress of the project	Sources of capital
Dongjiakou stevedoring, storage and transportation projects for liquid bulk cargo	1,596,610,000	479,440,622	34,730,139	-	-	514,170,761	32%	32%	Internal capital
Dongjiakou bulk cargo berths and storage yard project	1,376,485,484	641,819,662	17,629,078	-	(85,377,700)	574,071,040	42%	42%	Internal capital
Other projects	158,439,658	95,095,116	33,928,358	(46,983,750)	-	82,039,724	85%	85%	Internal capital
		<u>1,216,355,400</u>	<u>86,287,575</u>	<u>(46,983,750)</u>	<u>(85,377,700)</u>	<u>1,170,281,525</u>			

- (i) The Company obtained the right to use the sea area of Qingdao Port Dongjiakou Port Area and reclaimed land from the sea in the previous year, with the corresponding land reclamation costs included in construction in progress, this project is still in progress. During the six months ended 30 June 2019, the Company received RMB85,377,700 of land reclamation compensation, which was charged against land reclamation costs included in construction in progress.

As at 30 June 2019 and 31 December 2018, the management of the Company considered that there is no indication that the Construction in progress may be impaired, therefore no provision for impairment is recorded.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(10) Right-of-use assets

	Loading equipment	Vessel	Total
Cost			
31 December 2018	—	—	—
Changes in accounting policies (Note 30(b))	8,079,310	91,439,655	99,518,965
1 January 2019	8,079,310	91,439,655	99,518,965
Increase in the current period (Unaudited)			
New lease contracts	5,881,422	—	5,881,422
30 June 2019 (Unaudited)	13,960,732	91,439,655	105,400,387
Accumulated depreciation			
31 December 2018	—	—	—
Changes in accounting policies (Note 30(b))	(235,806)	—	(235,806)
1 January 2019	(235,806)	—	(235,806)
Increase in the current period (Unaudited)			
Provision	(769,025)	(2,412,991)	(3,182,016)
30 June 2019 (Unaudited)	(1,004,831)	(2,412,991)	(3,417,822)
Net book value			
30 June 2019 (Unaudited)	12,955,901	89,026,664	101,982,565
31 December 2018	—	—	—

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(11) Intangible assets

	Land use rights	Software	Sea area use rights	Others	Total
Cost					
31 December 2018	2,283,777,850	58,441,596	1,362,580	32,269,286	2,375,851,312
Increase in the current period (Unaudited)					
Purchase	-	3,751,391	-	-	3,751,391
Internal research and development	-	613,027	-	-	613,027
30 June 2019 (Unaudited)	2,283,777,850	62,806,014	1,362,580	32,269,286	2,380,215,730
Accumulated amortization					
31 December 2018	(177,033,591)	(21,218,346)	(136,262)	(17,360,432)	(215,748,631)
Increase in the current period (Unaudited)					
Provision	(23,754,618)	(5,028,257)	(13,626)	(1,503,125)	(30,299,626)
30 June 2019 (Unaudited)	(200,788,209)	(26,246,603)	(149,888)	(18,863,557)	(246,048,257)
Book value					
30 June 2019 (Unaudited)	2,082,989,641	36,559,411	1,212,692	13,405,729	2,134,167,473
31 December 2018	2,106,744,259	37,223,250	1,226,318	14,908,854	2,160,102,681

For the six months ended 30 June 2019, the amortization of intangible assets amounted to RMB30,299,626 (For the six months ended 30 June 2018: RMB37,839,169).

As at 30 June 2019 and 31 December 2108, the Company had no intangible assets which were mortgaged.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(11) Intangible assets (Continued)

As at 30 June 2019 and 31 December 2018, the management of the Company considered that there was no indication of impairment of intangible assets, and therefore no provision for impairment was required.

The Company's development expenses are as follows:

	31 December 2018	Increase in the current period (Unaudited)	Decrease in the current period		30 June 2019 (Unaudited)
			Recorded in profit and loss (Unaudited)	Recognised as intangible assets (Unaudited)	
Software	-	3,547,889	(2,934,862)	(613,027)	-
Patented technology	-	3,773,641	(3,773,641)	-	-
Others	-	252,031	(252,031)	-	-
	-	<u>7,573,561</u>	<u>(6,960,534)</u>	<u>(613,027)</u>	<u>-</u>

For the six months ended 30 June 2019, the Company's research and development expenses totaled RMB7,573,561 (For the six months ended 30 June 2018: RMB13,117,946), of which, RMB6,960,534 (For the six months ended 30 June 2018: RMB4,655,076) was recorded in profit and loss for the current period and RMB613,027 (For the six months ended 30 June 2018: 8,462,870) was recognised as intangible assets for the current period. As at 30 June 2019, the intangible assets developed by the Company accounted for 0.03 % (31 December 2018: 1.26%) of the book value of intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(12) Revenue and cost of sales

	For the Six months ended 30 June 2019 (Unaudited)	For the Six months ended 30 June 2018 (Unaudited)
Revenue from main operations	2,261,847,477	2,314,651,261
Revenue from other operations	<u>566,789,336</u>	<u>505,528,488</u>
	<u>2,828,636,813</u>	<u>2,820,179,749</u>
	For the Six months ended 30 June 2019 (Unaudited)	For the Six months ended 30 June 2018 (Unaudited)
Cost of sales from main operations	(1,555,621,822)	(1,610,856,584)
Cost of sales from other operations	<u>(345,914,093)</u>	<u>(382,620,168)</u>
	<u>(1,901,535,915)</u>	<u>(1,993,476,752)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(12) Revenue and cost of sales (Continued)

(a) Revenue and cost of sales from main operations

	For the Six months ended 30 June 2019 (Unaudited)		For the Six months ended 30 June 2018 (Unaudited)	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
Container handling and ancillary services	106,667,918	(28,398,539)	112,733,249	(34,371,658)
Metal ore, coal and other cargo handling and ancillary services	1,385,159,263	(1,057,812,873)	1,517,488,196	(1,172,529,429)
Liquid bulk cargo handling and ancillary services	108,308,471	(9,516,324)	108,580,400	(8,379,823)
Logistics and port value-added services	326,135,605	(172,727,666)	310,583,579	(168,040,892)
Port ancillary services – construction, labor and sales of port machinery	335,576,220	(287,166,420)	265,265,837	(227,534,782)
	<u>2,261,847,477</u>	<u>(1,555,621,822)</u>	<u>2,314,651,261</u>	<u>(1,610,856,584)</u>

(b) Revenue and cost of sales from other operations

	For the Six months ended 30 June 2019 (Unaudited)		For the Six months ended 30 June 2018 (Unaudited)	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Rental income	216,966,501	(102,023,703)	171,422,444	(93,470,711)
Port ancillary service – sales of fuel, electricity and others	349,822,835	(243,890,390)	334,106,044	(289,149,457)
	<u>566,789,336</u>	<u>(345,914,093)</u>	<u>505,528,488</u>	<u>(382,620,168)</u>

For the six months ended 30 June 2019, among the above revenue categories, except for contract obligations of partial port ancillary services like sales of fuel, electricity and others are satisfied at a point in time and leasing rental income, the remaining contract obligations are satisfied over-time.

As at 30 June 2019, the amount of income corresponding to the performance obligation of the company that has signed the contract but has not fulfilled or has not fulfilled is RMB48,320,833. It is expected that revenue will be recognised in the coming year.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(13) Expenses by nature

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

	For the Six months ended 30 June 2019 (Unaudited)	For the Six months ended 30 June 2018 (Unaudited)
Employee benefits	607,757,063	596,284,736
Cost for outsourcing transportation	257,908,536	232,230,331
Depreciation of fixed assets	206,693,852	210,449,545
Subcontract cost	205,249,015	360,857,756
Fuel and utility fees	192,041,870	267,040,561
Consumption of raw materials in construction contract	187,684,278	122,514,064
Consumption of other raw materials	134,181,985	78,671,506
Cost of sales for fuel and electricity	102,072,893	93,082,039
Rental expenses (i)	46,657,290	47,012,757
Amortization of intangible assets	30,299,626	37,839,169
Repair expenses	29,359,165	31,134,010
Depreciation of investment property	20,867,948	10,846,216
Auditor's fee	3,325,472	3,632,295
– Audit service	3,316,038	3,622,932
– Non-audit services	9,434	9,363
Depreciation of right-of-use assets	3,182,016	–
Amortization of long-term prepaid expenses	2,749,021	5,500,908
Others	37,298,682	31,489,537
	<u>2,067,328,712</u>	<u>2,128,585,430</u>

- (i) As stated in Note 2(26), since 1 January 2019, lease expense incurred by short-term lease and low-value lease is recorded in current profit or loss. For the six months ended 30 June 2019, the amount is RMB46,657,290.

(14) Investment income

	For the Six months ended 30 June 2019 (Unaudited)	For the Six months ended 30 June 2018 (Unaudited)
Investment income from long-term equity investment under equity method	719,546,750	661,471,860
Investment income from long-term equity investments under cost method	184,198,566	724,103,168
Interest income from holding of debt investments	63,857,615	138,680,109
Investment income from financial asset held for trading	29,250	5,947,058
Investment (loss)/income from disposal of long-term equity investments	(6,820,523)	165,380
	<u>960,811,658</u>	<u>1,530,367,575</u>

The company does not have significant restrictions on the repatriation of investment income.

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

1 STATEMENT OF NON-RECURRING PROFIT OR LOSS

All amounts in RMB Yuan	For the Six months ended 30 June 2019 (Unaudited)	For the Six months ended 30 June 2018 (Unaudited)
Net income from disposal of non-current assets	(1,213,416)	28,646,479
Government grants recognised in profit or loss for the current period	80,566,841	17,520,722
Investment income gained on disposal of wealth management products of entities other than Qingdao Finance	-	5,917,808
Gains and losses from changes in fair value of financial assets held-for-trading other than effective hedging business related to the normal operations of the Company	2,663,358	-
Interest income from external entrusted loans of other entities other than Qingdao Finance	6,415,726	59,596,364
Gains on disposal of subsidiaries/joint ventures	522,168	159,536
Net amount of other non-operating income and expenses	<u>10,719,958</u>	<u>(4,753,742)</u>
Subtotal	99,674,635	107,087,167
Less: Income tax effect	(24,918,659)	(26,771,792)
Less: Non-recurring gains and losses attributable to minority shareholders	<u>(4,345,120)</u>	<u>(8,220,413)</u>
Non-recurring gains and losses attributable to shareholders of the parent company	<u>70,410,856</u>	<u>72,094,962</u>

Basis for preparation of statement of non-recurring profit or loss

Pursuant to the *Explanatory Announcement for Information Disclosure of Companies Offering Securities to the Public No.1 – Non-recurring Profit or Loss (2008)* issued by China Securities Regulatory Commission, non-recurring profit or loss refers to profit or loss arising from transactions and events that are not directly related to the company's normal course of business or that are relevant to ordinary activities, but are extraordinary and not expected to recur frequently that would have an influence on users of financial statements making economic decisions on the financial performance and profitability of an enterprise.

2 RETURN ON EQUITY AND EPS

	Weighted average return on equity (%)		EPS			
			Basic EPS		Diluted EPS	
	For the Six months ended 30 June 2019 (Unaudited)	For the Six months ended 30 June 2018 (Unaudited)	For the Six months ended 30 June 2019 (Unaudited)	For the Six months ended 30 June 2018 (Unaudited)	For the Six months ended 30 June 2019 (Unaudited)	For the Six months ended 30 June 2018 (Unaudited)
Net profit attributable to ordinary shareholders of the company	6.86%	7.81%	0.31	0.32	0.31	0.32
Net profit attributable to ordinary shareholders of the company after deducting non-recurring profit or loss	6.63%	7.51%	0.30	0.30	0.30	0.30