



# 青島港國際股份有限公司

## QINGDAO PORT INTERNATIONAL CO., LTD.\*

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

Stock Code: 06198.HK 601298.SH

## ANNUAL REPORT 2019



\* For identification purpose only



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## DEFINITIONS

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

“2019 AGM”	the annual general meeting for the year 2019 of the Company to be held on 10 June 2020
“Articles of Association”	the articles of association of the Company, as amended from time to time
“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 refer to the location designated by carriers for de-vanning of containerized cargo
“Commonly Held Entities”	has the meaning ascribed to it in the Hong Kong Listing Rules
“Company”	Qingdao Port International Co., Ltd. (青島港國際股份有限公司), a joint stock company established in the PRC with limited liability on 15 November 2013
“Consolidated Group Companies”	the Company (including its branches) and its subsidiaries which are consolidated into the consolidated financial statements of the Company
“COSCO SHIPPING Group”	China COSCO Shipping Corporation Limited (中國遠洋海運集團有限公司), a company established in PRC with limited liability and the ultimate controlling shareholder of COSCO SHIPPING Ports and Shanghai China Shipping Terminal, holding approximately 20% equity interests in the Company as of 31 December 2019, which is a substantial shareholder and a connected person of the Company, when references are made to continuing transactions, also including its subsidiaries, joint ventures with 30% and more equity interests held by COSCO SHIPPING Group and Commonly Held Entities of COSCO SHIPPING Group
“COSCO SHIPPING Ports”	COSCO SHIPPING Ports Limited (中遠海運港口有限公司), a limited liability company established in Bermuda with its shares listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1199), holding approximately 18% equity interests in the Company as of 31 December 2019, which is a substantial shareholder and a connected person of the Company
“Dagang Branch”	Dagang Branch of Qingdao Port International Co., Ltd. (青島港國際股份有限公司大港分公司), a branch of the Company, which is mainly engaged in the business of domestic container, break bulk, grains and other cargo handling and ancillary services
“Datang Port”	Datang Qingdao Port Co., Ltd. (大唐青島港務有限公司), a subsidiary in which the Company holds 51% equity interests, which is mainly engaged in construction and management of terminals and its ancillary facilities; procurement, consulting and invitation of tender for the equipment and materials needed by terminals; leasing, maintenance and management of terminals and their ancillary facilities; cargo loading and unloading, warehousing services (excluding dangerous goods) and international freight forwarding



## DEFINITIONS

“Director(s)”	the director(s) of the Company
“Distributable Profit”	calculated by net profit attributable to shareholders of the Company in the scope of the consolidated financial statements prepared in the PRC Accounting Standards for Business Enterprise, deducting recovery of accumulated losses, appropriation to statutory surplus reserve and other necessary reserve by the parent company and subsidiaries as well as the impact of the appraisal value-added amount of the asset invested in the Company by Qingdao Port (Group) Co., Ltd., the promoter at the establishment of the Company, on net profit for the year, etc.
“Dongjiakou Branch”	Dongjiakou Branch of Qingdao Port International Co., Ltd. (青島港國際股份有限公司董家口分公司), a branch of the Company, which is mainly engaged in the business of break bulk cargo handling and ancillary services
“Financial Holdings”	Shandong Port Financial Holdings Limited (山東港口金融控股有限公司), formerly known as Qingdao Port Financial Holdings Limited (青島港金融控股有限公司), a wholly-owned subsidiary of QDP, when references are made to continuing transactions, also including its subsidiaries, joint ventures with 30% and more equity interests held by Financial Holdings and Commonly Held Entities of Financial Holdings (if applicable)
“Global Offering”	the Hong Kong Public Offering and the International Offering (as defined in the Prospectus) conducted by the Company in May 2014 subject to and in accordance with the terms and conditions set out in the Prospectus and the related application forms
“Group”	the Company and its branches and subsidiaries; when references are made to operational data such as throughput, including joint ventures and associates of the Company
“Haiwan Liquid Chemical”	Qingdao Haiwan Liquid Chemical Port Operation Co., Ltd. (青島海灣液體化工港務有限公司), a joint venture in which the Company holds 50% equity interests and which is mainly engaged in the business of liquid bulk handling and ancillary services
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huaneng Qingdao”	Huaneng Qingdao Port Operation Co., Ltd. (華能青島港務有限公司), a joint venture in which the Company holds 49% equity interests, which is mainly engaged in the business of dry bulk cargo and break bulk cargo handling and ancillary services
“Mercuria Logistics”	Qingdao Haiye Mercuria Logistics Co., Ltd. (青島海業摩科瑞物流有限公司), a subsidiary in which the Company holds 62.07% equity interests and which is mainly engaged in freight forwarding, importing and exporting cargo warehousing, transshipment and distribution, construction of warehousing and logistics facilities, etc.
“Mercuria Oil Terminal”	Qingdao Haiye Mercuria Oil Terminal Co., Ltd. (青島海業摩科瑞倉儲有限公司), a subsidiary in which the Company holds 65% equity interests and which is mainly engaged in construction and management of warehouse facilities

## DEFINITIONS

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

## DEFINITIONS

“Qingwei Container”	Weihai Qingwei Container Terminal Co., Ltd. (威海青威集裝箱碼頭有限公司), a joint venture in which the Company holds 49% equity interests, which is mainly engaged in the business of container handling and ancillary services
“Qingyin Financial Leasing”	Qingdao Qingyin Financial Leasing Co., Ltd. (青島青銀金融租賃有限公司), an associate in which the Company holds 9% equity interests, which is mainly engaged in the business of assets leasing
“QQCT”	Qingdao Qianwan Container Terminal Co., Ltd. (青島前灣集裝箱碼頭有限責任公司), a joint venture in which the Company holds 51% equity interests (but is not consolidated into consolidated financial statements of the Company as the Company does not have control over it), which is mainly engaged in the business of container handling and ancillary services
“QQCTN”	Qingdao Qianwan New Container Terminal Co., Ltd. (青島新前灣集裝箱碼頭有限責任公司), a subsidiary in which QQCT holds 95.32% equity interests, which is mainly engaged in the business of container handling and ancillary services
“QQCTU”	Qingdao Qianwan United Container Terminal Co., Ltd. (青島前灣聯合集裝箱碼頭有限責任公司), a joint venture in which QQCTN holds 50% equity interests, which is mainly engaged in the business of container handling and ancillary services
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shandong Free Trade Zone”	China (Shandong) Pilot Free Trade Zone
“Shandong Port Group”	Shandong Port Group Co., Ltd. (山東省港口集團有限公司)
“Shanghai China Shipping Terminal”	Shanghai China Shipping Terminal Development Co., Ltd. (上海中海碼頭發展有限公司), a company established in the PRC and a wholly-owned subsidiary of COSCO SHIPPING Ports
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	supervisory committee 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 eight feet and a height of eight feet and six inches, also known as the international unit of standard container
“Weihai SASAC”	the State-owned Assets Supervision & Administration Commission of Weihai Municipal Government (威海市人民政府國有資產監督管理委員會)
“West United”	Qingdao Qianwan West Port United Terminal Co., Ltd. (青島前灣西港聯合碼頭有限責任公司), a joint venture in which the Company holds 51% equity interests (but is not consolidated into consolidated financial statements of the Company as the Company does not have control over it), and which is mainly engaged in the business of dry bulk cargo and break bulk cargo handling and ancillary services

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

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

# CORPORATE INFORMATION

## CHINESE NAME OF THE COMPANY

青島港國際股份有限公司

## ENGLISH NAME OF THE COMPANY

Qingdao Port International Co., Ltd.

## LEGAL REPRESENTATIVE

Mr. 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:  
31st Floor  
Tower Two, Times Square  
1 Matheson Street, Causeway Bay  
Hong Kong

## DATE OF LISTING

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

## PLACE OF LISTING

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

## ABBREVIATED CHINESE STOCK NAME

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

## ABBREVIATED ENGLISH STOCK NAME

Qingdao Port (only applied to H shares)

## STOCK CODES

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

## TELEPHONE

86-532-82982011

## FACSIMILE

86-532-82822878

## EMAIL

qggj@qdport.com

## WEBSITE

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

## BOARD OF DIRECTORS

### (1) Non-executive Directors

Mr. LI Fengli (*Chairman*)  
Mr. ZHANG Wei  
Mr. CHU Xiaozhong

### (2) Independent Non-executive Directors

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

## CORPORATE INFORMATION

### SUPERVISORY COMMITTEE

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

### COMPANY SECRETARY

Mr. CHEN Fuxiang

### AUTHORISED REPRESENTATIVES

Mr. LI Fengli  
 Mr. CHEN Fuxiang

### SPECIAL COMMITTEES OF BOARD OF DIRECTORS

#### (1) Strategy and Development Committee

Mr. LI Fengli (*Chairman*)  
 Mr. ZHANG Wei  
 Mr. CHU Xiaozhong  
 Mr. JIANG Min

#### (2) Audit Committee

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

#### (3) Remuneration Committee

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

#### (4) Nomination Committee

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

### H SHARE REGISTRAR

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

### LEGAL ADVISERS

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

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

#### (2) As to PRC law:

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

### AUDITOR

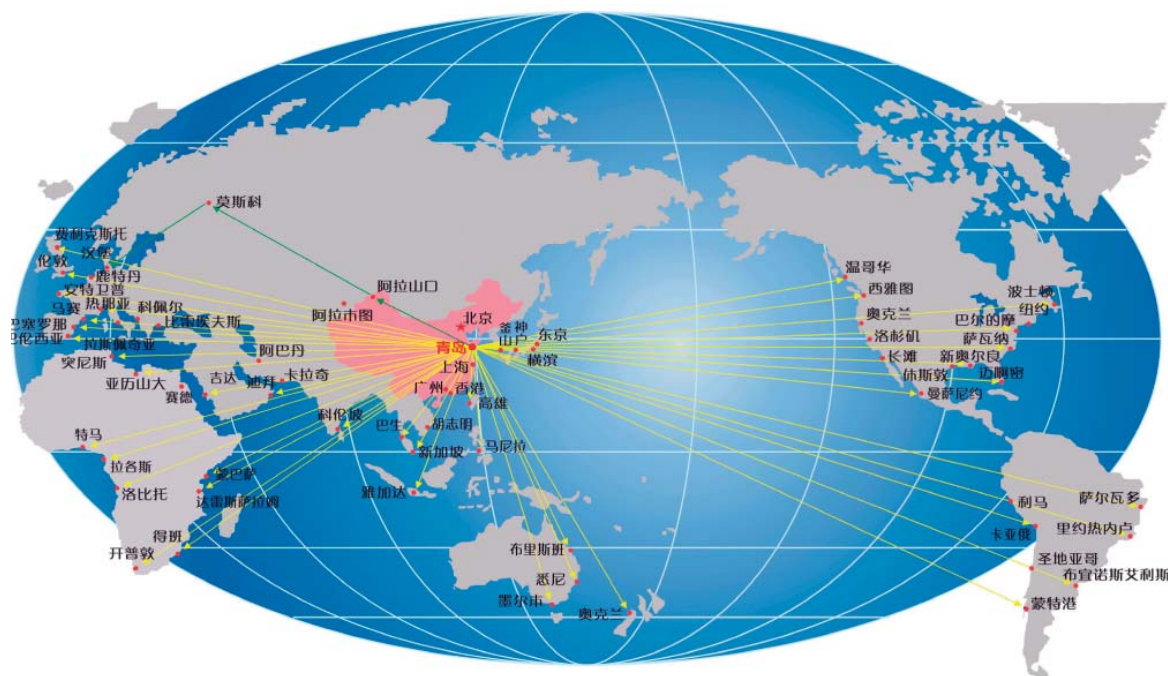
PricewaterhouseCoopers Zhong Tian LLP  
 11th Floor, PricewaterhouseCoopers Center  
 Link Square 2, 202 Hu Bin Road  
 Huangpu District, Shanghai, PRC

### PRINCIPAL BANKERS

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



## COMPANY PROFILE



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

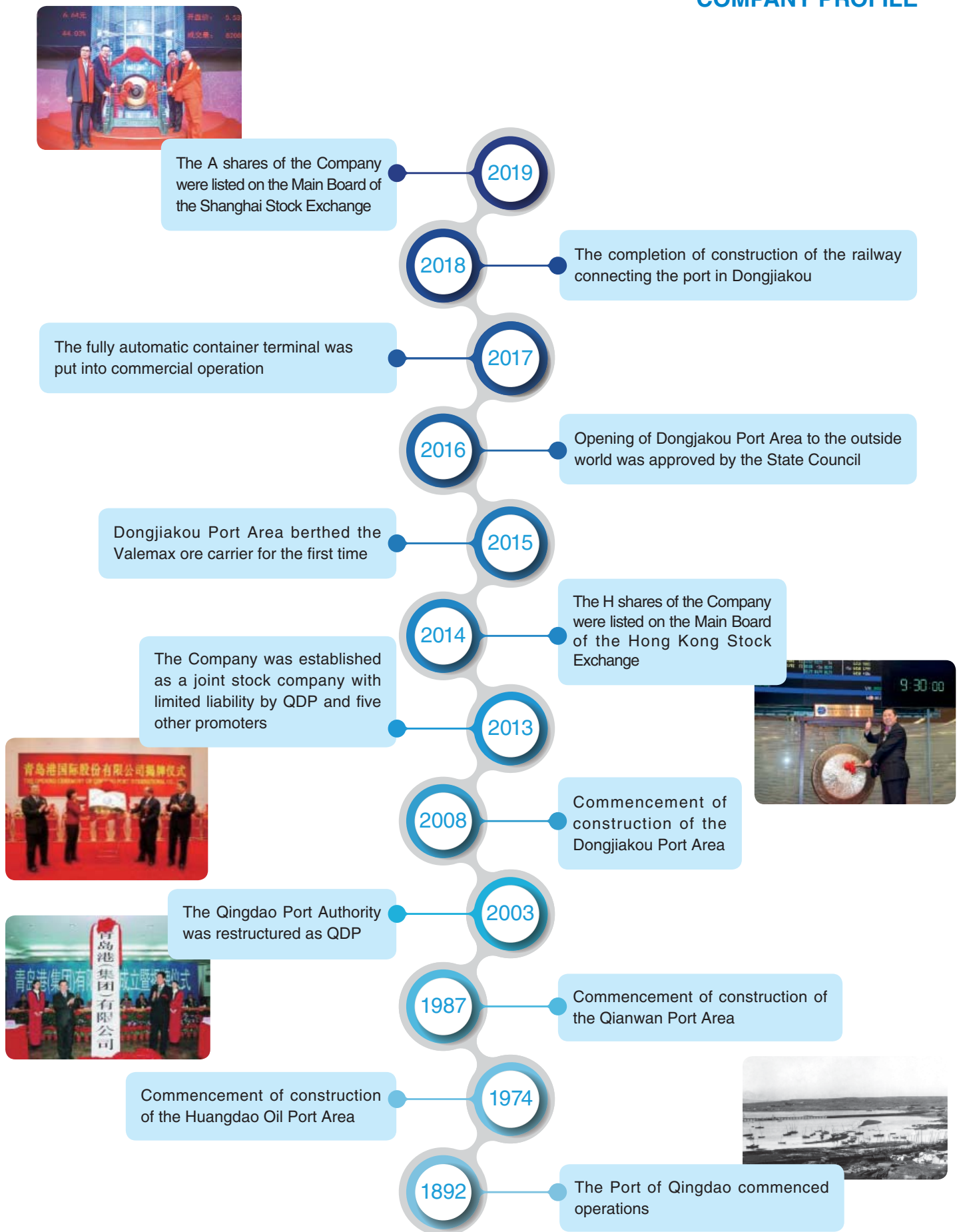
The Company was established on 15 November 2013. Its H shares were listed on the Main Board of the Hong Kong Stock Exchange on 6 June 2014 and its A shares were listed on the Main Board of the Shanghai Stock Exchange on 21 January 2019.

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

As of 31 December 2019, the Group operated 86 berths at the Port of Qingdao, which included 56 special berths dedicated to handling a single type of cargo and 30 universal berths capable of handling metal ore, coal and other general cargo.

Leveraging on the natural deep-water capacity and industry-leading facilities and equipment, services and management, the Group can accommodate the world's largest container vessels, iron ore vessels and oil tankers. The Group also possesses world-leading stevedoring efficiency. In 2019, the Group continued ranking first in the world in terms of the berth efficiency of Maersk vessels at the Port of Qingdao, with the single-machine average operating rate of 43.8 units per hour for fully automatic container terminal and the single-machine loading and unloading rate continuing to maintain at 2,918 tons per hour for iron ore.

## COMPANY PROFILE





# COMPANY PROFILE

## DISTRIBUTION OF PORT AREAS



**Principal operating companies**

QQCT, QQCTU, QQCTN, Qiangang Branch, West United, and Qingdao Port Logistics

**Principal cargo types**

container, dry bulk and break bulk

**Number of berths**

40

**Maximum water depth**

-21 meters



**Principal operating company**

Qingdao Shihua

**Principal cargo type**

liquid bulk

**Number of berths**

11

**Maximum water depth**

-24 meters



COMPANY PROFILE

**Dongjiakou  
Port Area**



**Principal operating companies**

Dongjiakou Branch, QDOT, Qingdao Shihua, Mercuria Oil Terminal, Mercuria Logistics, Datang Port and Huaneng Qingdao

**Principal cargo types**

dry bulk, liquid bulk and break bulk

**Number of berths**

17

**Maximum water depth**

-25 meters

**Dagang  
Port Area**

**Principal operating company**

Dagang Branch

**Principal cargo types**

container, break bulk and liquid bulk

**Number of berths**

18

**Maximum water depth**

-15 meters





# 2019 MAJOR EVENTS





## 2019 MAJOR EVENTS

JAN

The Company joined the Global Shipping Business Network (GSBN), which is the shipping industry's first block chain alliance, to enhance its status and influence in the global port and shipping industry.

The Company completed its A shares listing, achieving the A+H shares two-wheeled driving model and setting up capital platforms home and abroad.



FEB



The Company started operating the railway route from Zhumadian, Henan to Qingdao, Shandong which expanded the hinterland of its sea-rail transportation market to southern Henan.

MAR

Qingdao Port Binzhou (Boxing) inland was put into operation, which plays a key role for the Company to provide services for the northwest of Shandong and to participate in the industrial transformation and upgrading in Beijing, Tianjin, and Hebei.



## 2019 MAJOR EVENTS

APR

The Company successfully completed the safe experiment of vessel berthing and departing in actual business scenarios under the dense fog for the first time, which achieved a breakthrough against the common technical problems faced by global ports.

MAY

The Company entered into a strategic corporation agreement on deepening business development in Myanmar with CNPC South East Asia pipeline Co., Ltd.

JUN



The Company developed the “bonded storage + ore mixing + international transshipment” business of iron ore, and innovated a new model of international transfer of dry bulk cargoes “from mines to steel mills”.

JUL

The Company participated in the “Qingdao-Xi’an Symposium on Improving Business Environment” and worked with Qingdao Customs, Xi’an Customs, China Railway Intermodal and other departments to jointly promote the cooperation between the port and the areas.

The Company started operating the railway route from Weifang (Qingzhou) International Inland Port to Qingdao Port with the first train successfully running east , which represented the official operation of Qingdao Port Weifang (Qingzhou) Inland Port.



AUG



The Company held the foundation stone laying ceremony of the project of 600,000 cubic metres tanks of Crude Oil Depot of Qingdao Petro China Storage in Dongjiakou Port Area.

## 2019 MAJOR EVENTS

SEP

The Company started up the two-way container sea-rail intermodal railway service from Weihai to Qingdao, which is the first multi-modal railway route after the open of Shandong Pilot Free Trade Zone.

The Company held the opening ceremonies of Xinjiang Inland Port and Shandong Zaozhuang Inland Port.



OCT



The Group operated three hydrogen energy container trucks for practical tests, which made the Company the first terminal operator for the application of hydrogen energy container trucks in China, and started the “hydrogen” era of trucks.

NOV

The Company signed a Memorandum on Strategic Cooperation with Far-Eastern Shipping Company Ltd., Russia.

The Company’s fully automated container terminal (Phase II) was put into operation, which applied 6 global pioneering scientific and technological achievements including “5G + hydrogen power”.

DEC

In 2019, the Group’s container throughput exceeded 20 million TEUs, which has significantly increased the Company’s global reputation.

# FINANCIAL HIGHLIGHTS

## I. REVENUE

Unit: RMB'000

	2019	2018	2017	2016	2015
Gross profit	<b>3,985,390</b>	3,625,978	3,330,122	2,631,426	2,074,947
Period expenses	<b>366,054</b>	362,500	373,174	526,120	344,580
Investment income	<b>1,492,273</b>	1,455,441	1,171,489	803,944	843,129
Profit before income tax, depreciation and amortization	<b>6,194,400</b>	5,713,052	4,851,727	3,561,257	2,995,801
Total Profit	<b>5,126,805</b>	4,756,490	3,990,790	2,864,614	2,450,195
Net profit	<b>4,132,602</b>	3,843,526	3,240,363	2,299,092	1,979,137
Including: amounts attributable to shareholders of the Company	<b><u>3,790,143</u></b>	<u>3,593,486</u>	<u>3,042,959</u>	<u>2,186,154</u>	<u>1,911,916</u>

## II. ASSETS

Unit: RMB'000

	2019	2018	2017	2016	2015
Total assets	<b>52,785,301</b>	48,765,783	48,053,652	38,282,574	31,681,833
Total liabilities	<b>19,187,939</b>	19,346,259	22,990,996	22,800,015	18,133,938
Including:					
borrowings and bonds payable	<b>2,936,192</b>	4,412,150	4,314,267	3,923,668	492,296
Total equity	<b>33,597,362</b>	29,419,524	25,062,656	15,482,559	13,547,895
Including: share capital	<b>6,491,100</b>	6,036,724	6,036,724	4,778,204	4,778,204
Equity attributable to the shareholders of the Company	<b>30,357,381</b>	26,979,659	23,554,663	14,235,724	12,664,440
Equity per share attributable to the shareholders of the Company (RMB/share)	<b>4.68</b>	4.47	3.90	2.98	2.65
Asset-liability ratio	<b><u>36.4%</u></b>	<u>39.7%</u>	<u>47.8%</u>	<u>59.6%</u>	<u>57.2%</u>

## FINANCIAL HIGHLIGHTS

## III. FINANCIAL INDICATORS

	Unit: RMB				
	2019	2018	2017	2016	2015
Earnings per share	<b>0.59</b>	0.60	0.55	0.46	0.40
Dividend payments per 1,000 shares	<b>200.30</b>	379.70 (Note)		130.46	139.08
Return on total assets	<b>8.14%</b>	7.94%	7.51%	6.57%	6.57%
Weighted average return on net assets	<b><u>12.94%</u></b>	<u>14.23%</u>	<u>15.54%</u>	<u>16.25%</u>	<u>15.4%</u>

Note: The dividends of RMB379.70 (tax inclusive) per 1,000 shares in 2018 represent the aggregated amount of the dividends payable for 2017 and 2018.



## CHAIRMAN'S STATEMENT



### TO SHAREHOLDERS:

On behalf of the Board of the Company, I am pleased to present the annual report of the Company for the year ended 31 December 2019 to each of the shareholders.

The international situation in 2019 was complicated: whilst instability and uncertainty were even more prominent among nations and the global economy remained sluggish; the supply-side structural reforms of China's economy were further advanced to promote high-quality development. The Group aimed at the goal of "accelerating the construction of a world-class marine port" and actively responded to changes in the external macroeconomic environment. The Company seized the opportunities brought by the China-Shanghai cooperation organization local economic and trade cooperation demonstration zone and the Shandong Free Trade Zone to emancipate the mind, drive innovation, and deepen the supply-side structural reform of port services. The Company vigorously developed industries such as stevedoring, logistics, finance, and overseas projects. The Company strengthened internal management, expanded external markets, and innovated development models to accelerate transforming from a portal port to a hub port, and from a logistics port to a trade port named the "Two Major Transformations". As a result, the cargo throughput and operating performance of the Company maintained steady growth.

## CHAIRMAN'S STATEMENT

The port's production business achieved steady growth. The Company integrated the OBOR construction into its development plan and promoted the business layout in both land and marine direction. In terms of the marine direction, the Company opened new shipping routes, increased shipping container capacity, and expanded transit business; in terms of the land direction, the Company operated railway routes, built inland ports, and expanded sources of cargo. For the container business, the Company implemented precise policies, opened 10 additional foreign trade lines throughout the year and further improved the layout of the shipping route network. For dry bulk and break bulk business, the Company achieved breakthrough in international transit business. The Company's shipping in non-ferrous metal ore, steel, pulp and other types of goods increased significantly. For the liquid bulk business, the Company opened a bonded spot crude oil depot, firstly pioneered bonded blended oil transfer business, and consolidated the position of the northern ship's oil supply base. For logistics business, the Company built an end-to-end comprehensive logistics service system. The number of inland ports increased to 15, the number of the sea-rail intermodal routes reached 48 and the volume of containers by sea-rail intermodal continued to top other coastal ports.

The Company steadily advanced the construction of green and smart port. The Company joined GSBN (Global Shipping Business Network), the first blockchain alliance in the shipping industry, to enhance our position and influence in the global port and shipping industry. The fully automatic terminal (Phase I) achieved a single-machine average operating rate of 43.8 units per hour, setting a new world record. The fully automated terminal (Phase II) was put into trial operation, and the "Hydrogen + 5G" application dedicated a "China plan" to the construction of smart port. The port logistics e-commerce cloud service platform demonstration project successfully passed the national acceptance. The Company launched the research and development of a new generation of intelligent container terminal production management system, continuously increasing the level of port intelligence. The coverage rate of berths with shore power for ships reached 95%, and the hydrogen energy collection trucks were officially put into trial operation to promote the green development of the port.

The international development space was continuously expanded. The Company cooperated with COSCO Shipping Port in the development and operation of the Abu Dhabi Khalifa terminal project. The Italy Vado Ligure terminal project developed and constructed by the Company and other joint venture parties was put into trial operation. Myanmar Madele Island crude oil terminal cooperation project operated smoothly. The Company signed sister ports agreements with Riga Freeport of Latvia, Haifa Port of Israel, and the commercial port of Vladivostok, Russia. The number of the Company's sister ports reached 25, and the establishment of an international Qingdao Port was accelerated.

The developmental strength of the Company continued to grow. The Company launched the construction of the second phase of the Crude Oil Terminal Project and the Commercial Crude Oil Depot Project in Dongjiakou Port Area, and both strengthened the Company's motion energy of the construction of crude oil reserve bases. The construction of the third phase of the Dongjiakou Port -Weifang-Central and Northern Shandong Oil Pipelines Project was accelerated to open the Company's "Golden Oil Supply Channel" from the coast of the Yellow Sea to the shore of the Bohai Bay.

The corporate governance was further improved. The Company completed A share listing and became an A + H Shares listed company. The Company enhanced service quality and continued to strengthen the management of external services. The Company deepened the internal control management, improved management system, operated in compliance with laws and regulations, and established a good image of a listed company. The Company strengthened human resources management, carried out training for all employees, optimized the structure of the workforce. The Company further expanded the career development channels for employees, and fully mobilized employees' enthusiasm.

## CHAIRMAN'S STATEMENT

In 2019, the Group completed cargo throughput of 515 million tons, representing an increase of 6.1% as compared to the same period in the prior year. Among them, the container throughput reached 21.01 million TEUs, representing an increase of 8.8% as compared to the same period in the prior year. The Company's net profit attributable to shareholders of the Company was RMB3,790 million, representing an increase of 5.5% as compared to the same period in the prior year, with an earning of RMB0.59 per share.

In 2020, we expect the world's economic growth to continue to slow down and no change in China's stable and long-term economic growth trend. With the goal of accelerating the construction of world-class marine ports, the Company will continue to adhere to the development values of "innovation, coordination, greenness, openness, and sharing", and speed up the transformation from the portal port to the hub port, from the logistics port to the trade port, focusing on innovation, increasing volume and efficiency, achieving comprehensive development, expanding international development space, comprehensively improving management efficiency, and creating greater value for shareholders and society.

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

**LI Fengli**  
*Chairman*

26 March 2020



# MANAGEMENT DISCUSSION AND ANALYSIS



## I. MACRO SITUATION AND INDUSTRY OVERVIEW

In 2019, the Sino-U.S. trade frictions brought many uncertainties to the development of the world economy, and global trade grew mildly. China actively responded to the changes from the external environment and implemented the “Six-Stability” policy, i.e. job stability, financial stability, foreign trade stability, foreign investment stability, domestic investment stability and expectation stability. The economic development of China was generally stable and progressed steadily. The annual gross domestic product (GDP) increased by 6.1% compared to the same period in the prior year. Foreign trade grew despite adversity. The total import and export trade value of cargo increased by 3.4% compared to the same period in the prior year (Sources: National Bureau of Statistics).

In 2019, the port industry in China maintained steady and sound growth. The cargo throughput of the coastal ports in China increased by 4.3% compared to the same period in the prior year, and among which, the throughput of containers increased by 3.9% compared to the same period in the prior year (Sources: Ministry of Transport of the PRC). As certain key industries continued to address overcapacity, new terminals in coastal ports were put into operation, and the industry competition became increasingly fierce, the port industry strengthened integrated service ability, and actively accelerated the transformation and upgrading from a traditional stevedoring and destination port to a logistic, trade and integrated hub port, gaining greater development space by optimizing function chains, extending service chains and expanding value chains.

## MANAGEMENT DISCUSSION AND ANALYSIS

### II. REVIEW OF BUSINESS AND FINANCIAL CONDITION

In 2019, the Group aimed to accelerate redefining itself into a world-class ocean port and proactively coped with the changes from external factors of macro economy. By seizing the opportunities to promote the replacement of old growth drivers with new ones and accelerate industrial upgrading in the Shandong Province and Qingdao City, the Group deepened supply-side structural reform in port services, improved quality and efficiency, innovated the development model, positively developed the core business of stevedoring, vigorously developed modern logistics, continued to improve its comprehensive strength and increase its influence in the industry, maintained steady growth in operating performance, and created good returns for shareholders.

With respect to the terminal business, the Group targeted to the demands of customers and markets to cope with core businesses, and weakness in development. The Group took solid steps to push ahead with the supply-side structural reform of port services, provide customized integrated end-to-end logistic services, enhance its integrated competitiveness in terminals, logistics and finance and other sectors, increase its efforts to develop new markets and new cargo sources to improve the quality of its whole process logistic services, accelerate the construction of its storage and pipeline distribution capabilities for liquid bulk and other key segments, and expand the new growth pole of profits from the core business of stevedoring.

With respect to the emerging businesses, the Group took advantage of port as an integrated hub in the logistics chain, commodity flow, capital flow and information flow amongst others, coordinated ports and other social resources, optimized the layout of inland port network marketing, improved resource efficiency through intelligent port construction, constantly expanded its new businesses in sea-rail intermodal transport, CFS, shipping agency, freight forwarding, bonded storage, futures settlement, cross-border e-commerce, automobile supply chain, industrial chain finance amongst others, improved diversified profitability, and expanded the new models and new space for the sustainable development for the operational performance of the port.

#### 1. Review of Overall Business and Results

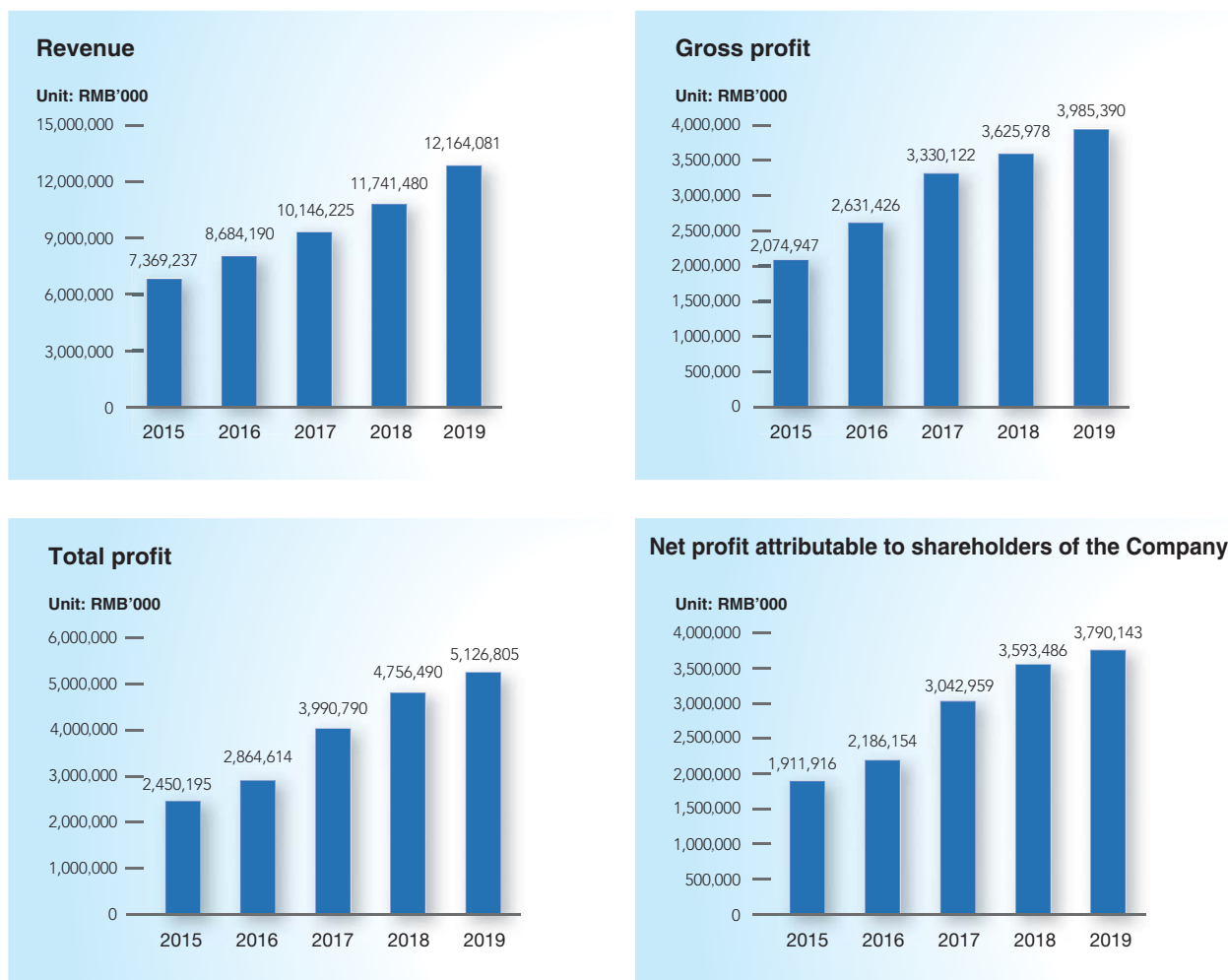
The Group is the primary operator of the Port of Qingdao, one of the world's largest comprehensive ports, and is mainly engaged in 6 segments, including container handling and ancillary services, metal ore, coal and other cargo handling and ancillary services, liquid bulk handling and ancillary services, logistics and port value-added services, port ancillary services and financial services.

For the year ended 31 December 2019, the accumulated cargo throughput of the Group together with its joint ventures and associates (without taking into account the respective shareholding percentage the Company held in those joint ventures and associates) amounted to 515 million tons in total, representing an increase of 6.1% compared to the same period in the prior year, and the container throughput amounted to 21.01 million TEUs, representing an increase of 8.8% compared to the same period in the prior year.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Comparison of Major Operating Indicators



The total revenue of the Group amounted to RMB12,164 million for the year ended 31 December 2019, representing an increase of RMB423 million or 3.6% compared to the same period in the prior year. This was mainly due to the increase in revenue from segments of liquid bulk handling and ancillary services, and port ancillary services.

The gross profit of the Group was RMB3,985 million for the year ended 31 December 2019, representing an increase of RMB359 million or 9.9% compared to the same period in the prior year. This was mainly due to the increase in gross profit from segments of liquid bulk handling and ancillary services, and port ancillary services.

## MANAGEMENT DISCUSSION AND ANALYSIS

The selling and administration expenses of the Group were RMB540 million for the year ended 31 December 2019, representing an increase of RMB38 million or 7.5% compared to the same period in the prior year. This was mainly due to the increase in business referral costs and employee benefits.

The investment income of the Group from joint ventures and associates amounted to RMB1,381 million for the year ended 31 December 2019, representing an increase of RMB93 million or 7.2% compared to the same period in the prior year. This was mainly due to the increase in investment income from segments of container handling and ancillary services, liquid bulk handling and ancillary services.

The total profit of the Group amounted to RMB5,127 million for the year ended 31 December 2019, representing an increase of RMB370 million or 7.8% compared to the same period in the prior year. Such increase was mainly due to the increase in profit from segments of liquid bulk handling and ancillary services, financial services and port ancillary services.

The net profit attributable to shareholders of the Company amounted to RMB3,790 million for the year ended 31 December 2019, representing an increase of RMB197 million or 5.5% compared to the same period in the prior year.

### 2. Segment Review and Business Review

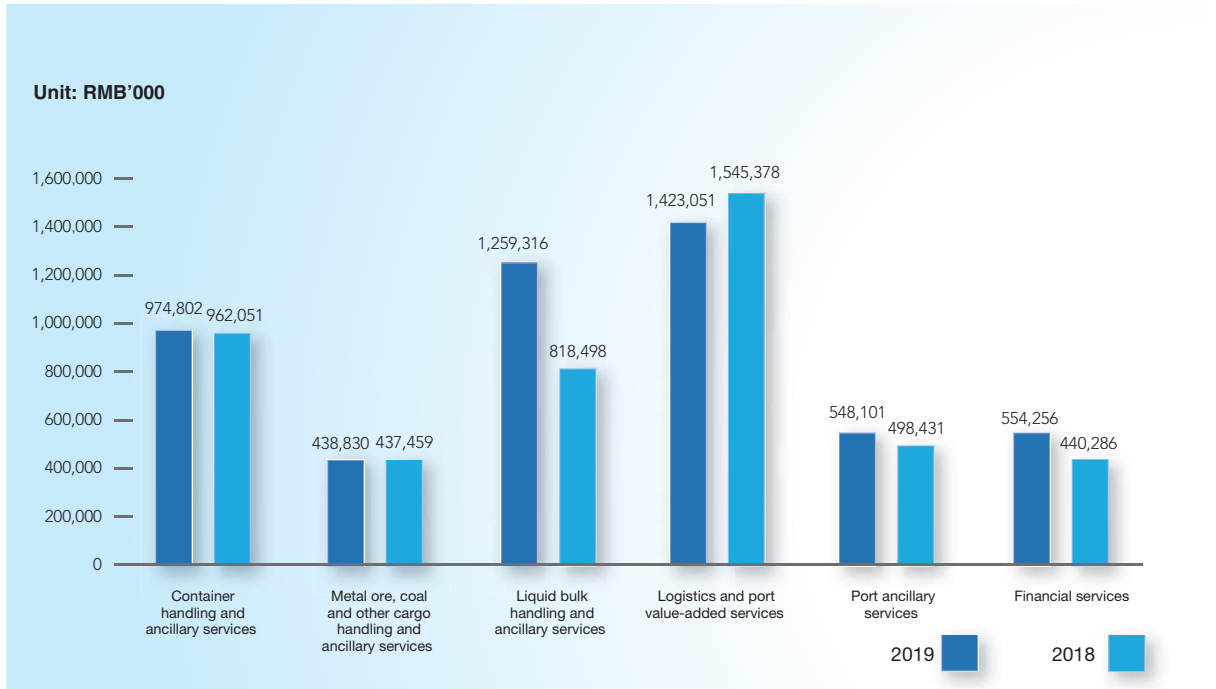
#### Segment Results

Unit: RMB'000

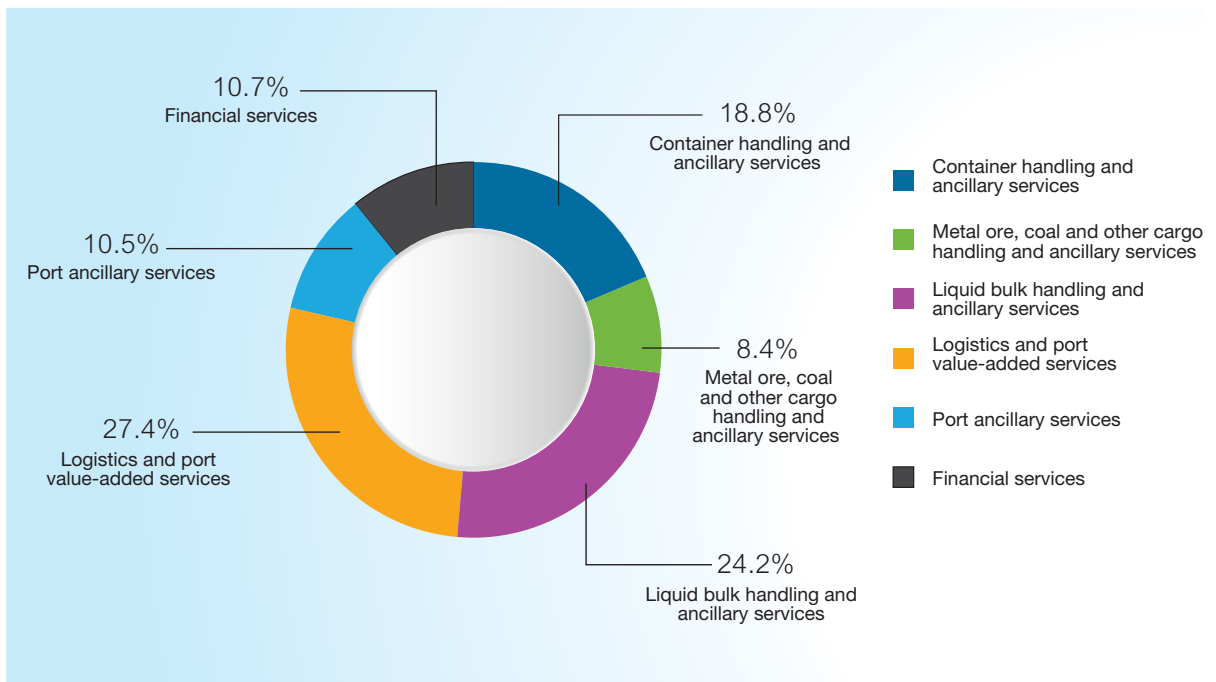
Business Segments	2019		2018		Changed Percentage
	Results	Percentage of the total	Results	Percentage of the total	
Container handling and ancillary services	974,802	18.8%	962,051	20.5%	1.3%
Metal ore, coal and other cargo handling and ancillary services	438,830	8.4%	437,459	9.3%	0.3%
Liquid bulk handling and ancillary services	1,259,316	24.2%	818,498	17.4%	53.9%
Logistics and port value-added services	1,423,051	27.4%	1,545,378	32.8%	-7.9%
Port ancillary services	548,101	10.5%	498,431	10.6%	10.0%
Financial services	554,256	10.7%	440,286	9.4%	25.9%
Total results before inter-segment elimination	<u>5,198,356</u>	<u>100.0%</u>	<u>4,702,103</u>	<u>100.0%</u>	<u>10.6%</u>

# MANAGEMENT DISCUSSION AND ANALYSIS

## Comparison of Segment Results



## Breakdown of each segment result for the year ended 31 December 2019



## MANAGEMENT DISCUSSION AND ANALYSIS

The details of segment results are set out as below:

### 1 Container handling and ancillary services



## MANAGEMENT DISCUSSION AND ANALYSIS

Unit: RMB'000

Item	2019	2018	Changed amount	Changed percentage
<b>Consolidated Group Companies</b>				
Revenue	218,000	240,606	-22,606	-9.4%
Cost of sales	68,572	103,062	-34,490	-33.5%
Gross profit	149,428	137,544	11,884	8.6%
<b>Profit of Consolidated Group Companies</b>				
	92,063	120,003	-27,940	-23.3%
<b>Joint ventures</b>				
Revenue	3,958,014	3,788,337	169,677	4.5%
Cost of sales	1,559,449	1,489,171	70,278	4.7%
<b>Investment income from joint ventures</b>				
	882,739	842,048	40,691	4.8%
<b>Segment results</b>				
	974,802	962,051	12,751	1.3%

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

In 2019, the Group innovated marketing strategy, opened inland railway routes, built inland ports towards the land, promoted shipping companies to add shipping lines and expanded shipping container capacity towards the ocean, continued to deepen the headquarters strategy for shipping companies, attracted shipping companies to add international shipping lines and increase transshipment network density, promoted the continuous growth of international transshipment business volume and accelerated the construction of the international hub port in Northeast Asia. The main new developments were as follows:

- (1) The Group added 10 foreign trade shipping lines, including 6 lines connected to the OBOR area such as Southeast Asia and the Middle East, and further expanded the Company's market layout along the OBOR area.
- (2) The Group continued to promote the construction of inland ports and improve their functions and held 15 promotion conferences in Shandong, Henan, Shaanxi, Xinjiang and other places. The Group set up a sea-rail transportation network to radiate the whole country, with the Port of Qingdao as the axis. More than 30 cities were connected with sea-rail intermodal train services and our sea-rail intermodal container volume maintained first place among all the coastal ports in China.

For the year ended 31 December 2019, with respect to the container handling and ancillary services, the revenue amounted to RMB218 million, representing a decrease of RMB23 million or 9.4% compared to the same period in the prior year, which was mainly due to the adjustment of the container business layout in the Dagang Port Area, and the volume of domestic trade container business in the Dagang Port Area was decreased; the cost of sales amounted to RMB69 million, representing a decrease of RMB34 million or 33.5% compared to the same period in the prior year, which was mainly due to the Group's optimization of operation procedures and reduction of costs such as relocation costs; the segment results amounted to RMB975 million, representing an increase of RMB13 million or 1.3% over the same period in the prior year, in which, the profit of Consolidated Group Companies amounted to RMB92 million, representing a decrease of RMB28 million or 23.3% compared to the same period in the prior year, which was mainly due to the insufficient gross profit from the container business that cannot cover expenses such as financial costs because the container business in the Dongjiakou Port Area remains in the incubation period; the investment income from joint ventures amounted to RMB883 million, representing an increase of RMB41 million or 4.8% compared to the same period in the prior year, which was mainly due to the joint ventures adding new foreign trade shipping lines and achieving incremental volume and profit.



## MANAGEMENT DISCUSSION AND ANALYSIS

2

### Metal ore, coal and other cargo handling and ancillary services



Unit: RMB'000

Item	2019	2018	Changed amount	Changed percentage
<b>Consolidated Group Companies</b>				
Revenue	2,711,414	2,988,976	-277,562	-9.3%
Cost of sales	2,105,441	2,364,101	-258,660	-10.9%
Gross profit	605,973	624,875	-18,902	-3.0%
<b>Profit of Consolidated Group Companies</b>				
	392,970	385,217	7,753	2.0%
<b>Joint ventures</b>				
Revenue	1,736,740	1,530,292	206,448	13.5%
Cost of sales	1,337,831	1,096,510	241,321	22.0%
<b>Investment income from joint ventures</b>				
	45,860	52,242	-6,382	-12.2%
<b>Segment results</b>	<b>438,830</b>	<b>437,459</b>	<b>1,371</b>	<b>0.3%</b>

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

## MANAGEMENT DISCUSSION AND ANALYSIS

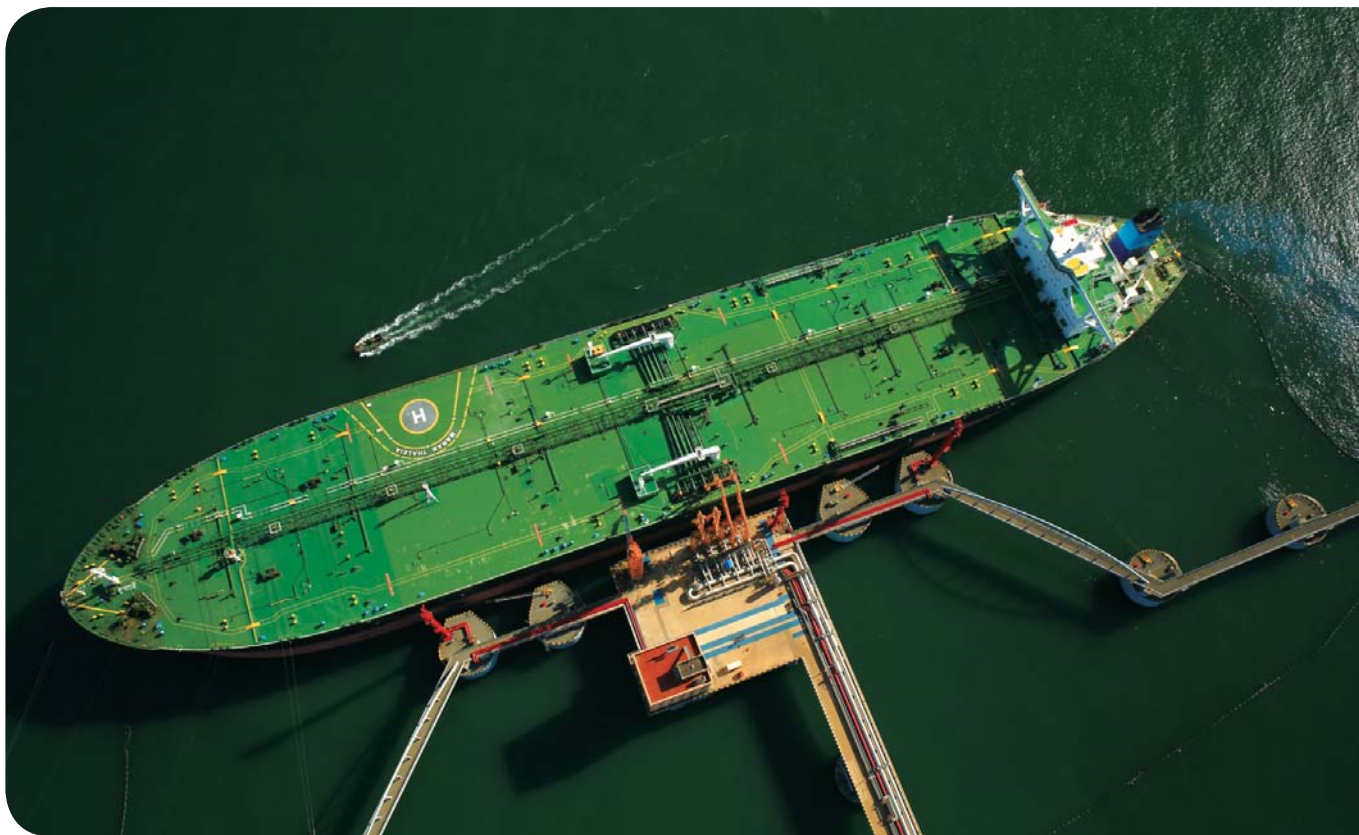
In 2019, the Group proactively coped with the influence of decreased shipment of major foreign mines and the continued overcapacity reduction of the steel industry in China, drove innovation in the market, expanded its ore mixing and international transshipment businesses, deepened strategic cooperation with key customers, extended its whole-process logistic value-added services, and proactively expanded the new hinterland market. The main breakthroughs achieved were as follows:

- (1) Australian FMG Group and Rio Tinto Group launched iron ore spot trading business at the Port of Qingdao, further deepening the cooperation between the Group and the mines;
- (2) The Company signed the strategic cooperation agreement with Itochu Corporation in Japan to coordinate and optimize the international bulk commodities supply chain logistic system, building up the international ore transshipment network in Northeast Asia; and
- (3) The railway connected to the Dongjiakou Port Area was officially put into operation, which helped further improve the transportation system in the Dongjiakou Port Area, providing strong support for fully releasing the port capacity and expanding new markets.

For the year ended 31 December 2019, the revenue of metal ore, coal and other cargo handling and ancillary services was RMB2,711 million, representing a decrease of RMB278 million or 9.3% compared to the same period in the prior year, which was mainly due to the decrease in revenue caused by the settlement method of dry bulk cargo handling business which changed from the Company's subcontracting settlement to the joint venture's own settlement. The segment results amounted to RMB439 million, almost unchanged compared to the same period of last year, among which, the profit of Consolidated Group Companies amounted to RMB393 million, representing an increase of 2.0% compared to the same period in the prior year; the investment income from joint ventures amounted to RMB46 million, representing a decrease of 12.2% compared to the same period in the prior year, which was mainly due to the decrease in profits caused by the joint venture's train loading line put into operation in order to cope with the change of transshipment mode "from highway to railway", so as that the incremental revenue did not make up for incremental costs, including depreciation, in the short term.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 3 Liquid bulk handling and ancillary services



Unit: RMB'000

Item	2019	2018	Changed amount	Changed percentage
<b>Consolidated Group Companies</b>				
Revenue	1,427,222	852,240	574,982	67.5%
Cost of sales	386,720	273,620	113,100	41.3%
Gross profit	1,040,502	578,620	461,882	79.8%
<b>Profit of Consolidated Group Companies</b>				
	860,365	466,637	393,728	84.4%
<b>Joint ventures</b>				
Revenue	1,810,216	1,861,556	-51,340	-2.8%
Cost of sales	722,659	890,490	-167,831	-18.8%
<b>Investment income from joint ventures</b>				
	398,951	351,861	47,090	13.4%
<b>Segment results</b>				
	<u>1,259,316</u>	<u>818,498</u>	<u>440,818</u>	<u>53.9%</u>

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

## MANAGEMENT DISCUSSION AND ANALYSIS

In 2019, the Group captured strategic opportunities from the rapid increase in imported crude oil, released the capacities of resources including terminals, tank areas and oil pipelines, and developed the integrated services of the whole-process logistics. The main breakthroughs achieved were as follows:

- (1) The Group 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 Phase I and II of the Dongjiakou Port – Weifang – Central and Northern Shandong Oil Pipelines. The volume of imported crude oil in the Dongjiakou Port Area increased by 35.9% compared to the same period in the prior year.
- (2) The Group opened the “direct selling” model in bonded crude oil spot trade for international crude oil producers to attract more material flow, business flow, capital flow and information flow gathering in the Port of Qingdao, and to speed up the construction of global collection and distribution center for crude oil trade.

For the year ended 31 December 2019, the revenue of liquid bulk handling and ancillary services was RMB1,427 million, representing an increase of RMB575 million or 67.5% compared to the same period in the prior year; the profit of Consolidated Group Companies was RMB860 million, representing an increase of RMB394 million or 84.4% compared to the same period in the prior year, which was mainly due to increased revenue of pipeline transportation and storage driven by the successive operation of Dongjiakou Port – Weifang – Central and Northern Shandong oil pipeline (Phase II), the branch pipelines and the ancillary tanks. The investment income from joint ventures amounted to RMB399 million, representing an increase of RMB47 million or 13.4% compared to the same period in the prior year. The revenue and cost of sales of joint ventures decreased by 2.8% and 18.8%, respectively, compared to the same period in the prior year, mainly due to the increase in the operation volume of liquid bulk of joint ventures, while the storage revenue and storage cost decreased as a result of the adjustment in the operation model of oil storage business. The segment result amounted to RMB1,259 million, representing an increase of RMB441 million or 53.9% 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 of the liquid bulk.

### 4

## Logistics and port value-added services

Unit: RMB'000

Item	2019	2018	Changed amount	Changed percentage
<b>Consolidated Group Companies</b>				
Revenue	4,916,328	5,305,379	-389,051	-7.3%
Cost of sales	3,437,512	3,668,215	-230,703	-6.3%
Gross profit	1,478,816	1,637,164	-158,348	-9.7%
<b>Profit of Consolidated Group Companies</b>	1,344,746	1,468,165	-123,419	-8.4%
<b>Joint ventures and associates</b>				
Revenue	1,059,981	805,186	254,795	31.6%
Cost of sales	844,056	565,483	278,573	49.3%
<b>Investment income from joint ventures and associates</b>	78,305	77,213	1,092	1.4%
<b>Segment results</b>	<b>1,423,051</b>	<b>1,545,378</b>	<b>-122,327</b>	<b>-7.9%</b>

Note: Amounts 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 the Company providing logistics and port value-added services, without taking into account of the respective shareholding percentages held by the Company in those joint ventures and associates.



## MANAGEMENT DISCUSSION AND ANALYSIS

In 2019, the Group vigorously developed the modern logistic business, deepened the supply-side structural reform of its port services, optimized the port functions, improved the end-to-end whole-process logistics service system, achieved the deep integration of terminal businesses and logistics businesses, and expanded new development space. 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) The Group achieved the qualification for designated delivery warehouse of 9 cargo types such as natural rubber and pulp and ranked the first place among the pulp futures industry in terms of the two indicators in China, namely the warehouse entry volume and the delivery volume of pulp futures.

For the year ended 31 December 2019, the revenue from logistics and port value-added services business amounted to RMB4,916 million, representing a decrease of RMB389 million or 7.3% compared to the same period in the prior year and the segment results amounted to RMB1,423 million, representing a decrease of RMB122 million or 7.9% compared to the same period in the prior year, which were 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.

### 5 Port ancillary services

Unit: RMB'000

Item	2019	2018	Changed amount	Changed percentage
<b>Consolidated Group Companies</b>				
Revenue	2,883,027	2,346,417	536,610	22.9%
Cost of sales	2,179,434	1,705,632	473,802	27.8%
Gross profit	703,593	640,785	62,808	9.8%
<b>Profit of Consolidated Group Companies</b>	547,196	498,431	48,765	9.8%
<b>Joint venture</b>				
Revenue	9,636	—	9,636	N/A
Cost of sales	632	—	632	N/A
<b>Investment income from joint venture</b>	905	—	905	N/A
<b>Segment results</b>	<b>548,101</b>	<b>498,431</b>	<b>49,670</b>	<b>10.0%</b>

Note: Amounts of revenue and cost of sales of a joint venture represent the amount of those in the financial information 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 the shareholding percentage held by the Company in the joint venture.

For the year ended 31 December 2019, the revenue from port ancillary services amounted to RMB2,883 million, representing an increase of RMB537 million or 22.9% compared to the same period in the prior year, mainly attributable to the increase in project construction services revenue and port machinery and equipment manufacturing revenue. The segment results amounted to RMB548 million, representing an increase of RMB50 million or 10.0% compared to the same period in the prior year, mainly due to an increase in the profit of project construction, port machinery manufacturing, and other businesses.



## MANAGEMENT DISCUSSION AND ANALYSIS

## 6 Financial services

Unit: RMB'000

Item	2019	2018	Changed amount	Changed percentage
<b>Consolidated Group Companies</b>				
Revenue	252,873	409,034	-156,161	-38.2%
Cost of sales	58,217	73,182	-14,965	-20.4%
Gross profit	194,656	335,852	-141,196	-42.0%
<b>Profit of Consolidated Group</b>				
<b>Companies</b>	<b>544,994</b>	<b>436,580</b>	<b>108,414</b>	<b>24.8%</b>
<b>An associate</b>				
Revenue	619,009	453,063	165,946	36.6%
Cost of sales	306,155	266,921	39,234	14.7%
<b>Investment income from an associate</b>				
	9,262	3,706	5,556	149.9%
<b>Segment results</b>	<b>554,256</b>	<b>440,286</b>	<b>113,970</b>	<b>25.9%</b>

Note: Amounts of revenue and cost of sales of an associate represent the amount of those in the financial information of Qingdao Qingyin Financial Leasing Co. Ltd. (青島青銀金融租賃有限公司), without taking into account 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 main businesses of terminals. The Group has achieved the transformation of its development model from scale orientation to high quality.

For the year ended 31 December 2019, the revenue from financial services amounted to RMB253 million, representing a decrease of RMB156 million or 38.2% 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 adjustment of capital operation strategy and the inter-bank deposit market remained depressed with the influence of the loose monetary policy. The segment result amounted to RMB554 million, representing an increase of RMB114 million or 25.9% 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 31 December 2019	As at 31 December 2018	Changed Amount	Changed Percentage
Other current assets	6,214,206	3,903,247	2,310,959	59.2%
Other non-current financial assets	538,097	268,581	269,516	100.3%
Other payables	7,200,532	5,954,950	1,245,582	20.9%
Current portion of non-current liabilities	235,634	3,595,929	-3,360,295	-93.4%
Bonds payable	2,116,900	—	2,116,900	N/A
Long-term payables	43,095	530,779	-487,684	-91.9%
Lease liabilities	378,301	—	378,301	N/A

As at 31 December 2019, the Group's other current assets increased by RMB2,311 million or 59.2% compared to the beginning of the year, mainly due to the increase of the purchase of interbank negotiable certificate of deposit and financial assets held under resale agreement conducted by Qingdao Finance.

As at 31 December 2019, the Group's other non-current financial assets increased by RMB270 million or 100.3% compared to the beginning of the year, mainly due to the increase of the purchase of financial bonds by Qingdao Finance.

As at 31 December 2019, other payables of the Group increased by RMB1,246 million or 20.9% compared to the beginning of the year, mainly due to the net increase in deposits absorbed by Qingdao Finance.

As at 31 December 2019, the Group's current portion of non-current liabilities decreased by RMB3,360 million compared to the beginning of the year, and the bonds payable increased by RMB2,117 million compared to the beginning of the year. The main reason was that investors did not exercise the sell-back option at the beginning of the 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, while as at 31 December 2019, the outstanding bonds were 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.

As at 31 December 2019, the Group's long-term payables decreased by RMB488 million or 91.9% compared to the beginning of the year, and lease liabilities increased by RMB378 million compared to the beginning of the year, mainly due to payables of leased assets in forms of financial leasing being re-classified from "long-term payables" to "lease liabilities", according to the new leasing standards.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 4. Cash Flow Analysis

For the year ended 31 December 2019, the Group's net cash outflow amounted to RMB16 million, among which:

- (1) The net cash inflow from operating activities was RMB2,966 million, which was mainly derived from the operating profit of the Consolidated Group Companies;
- (2) The net cash outflow from investing activities was RMB1,976 million, which was mainly comprising of the net inflow of RMB137 million due to Qingdao Finance's net recovery of loans to its members, net inflow of RMB1,003 million due to recovering the fixed term deposits over three months when due, net inflow of RMB1,253 million due to receiving dividend from joint ventures, net inflow of RMB501 million due to receiving interest income in loans, wealth management products and term deposits with a fixed term of over three months, net cash inflow of RMB220 million due to recovering the statutory deposit reserves, net outflow of RMB2,820 million due to the purchase of wealth management products and net outflow of RMB2,324 million due to the net payment for the purchase of fixed assets and intangible assets, etc.; and
- (3) The net cash outflow from financing activities was RMB1,022 million, which was mainly comprising of the net inflow of RMB1,979 million arising from the net proceeds of the initial public offering of A shares of the Company, net inflow of RMB527 million due to the receiving capital from minority shareholders, net inflow of RMB836 million due to the deposits-absorbing business of Qingdao Finance, net inflow of RMB1,503 million due to receiving cash from borrowings, net outflow of RMB2,732 million due to the distribution of dividends and the payment of debt interests, and net outflow of RMB2,955 million due to the repayment of borrowings.

In order to facilitate the understanding of shareholders 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 RMB608 million.

### 5. Liquidity and Financial Resources

As at 31 December 2019, the Group's cash at bank and on hand amounted to RMB6,846 million and wealth management products amounted to RMB7,402 million with the main currency of RMB. After eliminating the impact of Qingdao Finance, the self-owned cash at bank and on hand and wealth management products of the Group amounted to RMB12,205 million. After eliminating the impact of Qingdao Finance, the Group's total interest-bearing borrowings amounted to RMB2,406 million, among which, borrowings at fixed interest rates amounted to RMB2,321 million and borrowings at floating interest rates amounted to RMB85 million.

As at 31 December 2019, the gearing ratio of the Group was 8.6%. The details were set out in Note 15 to the financial statements. After eliminating the impact of Qingdao Finance, the amount of the Group's cash exceeded its interest-bearing borrowings.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 6. Capital Structure

As at 31 December 2019, the total equity of the Group amounted to RMB33,597 million, representing an increase of RMB4,178 million as compared to the beginning of the year, among which, the increase of equity interest attributable to the shareholders of the Company was mainly due to the increase of RMB3,790 million from the operating profit, the increase of RMB49 million was due to supplemental retirement benefits actuarial gains, the increase of RMB1,979 million was due to receiving proceeds from A-share initial public offering, and the decrease of RMB2,465 million was due to the distribution of dividends to shareholders of the Company; the equity interest of minority shareholders increased by RMB800 million was mainly because of the increase of RMB527 million due to the investments by minority shareholders, the increase of RMB341 million due to operating profits and comprehensive incomes, and the decrease of RMB68 million due to dividends distributed to minority shareholders.

As at 31 December 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. The total market capitalization and H share market capitalization of the Company was approximately RMB42,488 million and HKD6,078 million, respectively, which are calculated based on the closing price of RMB6.87 per share on the Shanghai Stock Exchange and the closing price of HKD5.53 per share on the Hong Kong Stock Exchange as at 31 December 2019.

### 7. Interest Rate and Exchange Rate Risks Analysis

As at 31 December 2019, cash at bank and on hand, receivables, payables and external bank borrowings at floating rates of the Group amounted to RMB4,721 million, RMB802 million, RMB4,620 million and RMB85 million, respectively. The Group assessed the interest rate risk and anticipated that changes in interest rate would have no material impact on the Group.

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

The Group will continue to closely monitor risks in interest and exchange rate. The Group did not enter into any hedging arrangements with respect to interest rate and exchange rate risks in 2019.

### 8. Financial Indicators

Indicators	2019	2018	Change
Return on total assets	<b>8.1%</b>	7.9%	Increased by 0.2 percentage point
Weighted average return on net assets	<b>12.9%</b>	14.2%	Decreased by 1.3 percentage points
Interest coverage ratio	<b>23.94</b>	23.76	Increased by 0.18 time
Current ratio	<b>1.81</b>	1.41	Increased by 0.40
Quick ratio	<b>1.78</b>	1.37	Increased by 0.41
Turnover ratio of accounts receivable	<b>5.17</b>	5.60	Decreased by 0.43
Turnover days of accounts receivable	<b>71 days</b>	65 days	Increased by 6 days

## MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2019, the return on total assets was 8.1%, representing an increase of 0.2 percentage point compared to the same period in the prior year, which was mainly due to the increase in the ability to have returns as the assets such as Dongjiakou Port-Weifang-Central and Northern Shandong oil pipeline were put into operation; the weighted average return on net assets was 12.9%, representing a decrease of 1.3 percentage points compared to the same period in the prior 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 accounts receivable turnover days of the Group were 71 days, representing an increase of 6 days compared to the same period in the prior year, which was mainly due to the increase in accounts receivable resulting from the longer collection period of large-scale port machinery manufacturing business this year.

### Summarized Financial Information of Joint Ventures

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

Unit: RMB' 000

	QQCT		Qingdao Shihua	
	2019	2018	2019	2018
Revenue	<b>3,775,984</b>	3,624,891	<b>1,633,559</b>	1,815,247
Cost of sales	<b>(1,454,019)</b>	(1,401,517)	<b>(564,150)</b>	(866,856)
Net profit	<b>1,737,006</b>	1,673,583	<b>782,185</b>	678,073
Net profit attributable to the owners of joint ventures	<b>1,719,717</b>	1,649,355	<b>782,185</b>	678,073
Considering the impact of the fair value of identifiable assets and liabilities at acquisition:				
Net profit	<b>1,660,257</b>	1,595,107	—	—
Net profit attributable to the owners of joint ventures	<b>1,642,969</b>	1,570,879	—	—
Equity interest in joint ventures held by the Group	<b>51%</b>	51%	<b>50%</b>	50%
Investment income of joint ventures by the Group accounted for using the equity method (Note)	<b><u>833,404</u></b>	<u>786,789</u>	<b><u>392,844</u></b>	<u>343,945</u>

Note: 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, unrealised profits arising from internal transactions and conformed to accounting policies of the Group.



## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

		Unit: RMB'000	
<b>Balance sheet</b>	<b>Nature</b>	<b>31 December 2019</b>	31 December 2018
Other receivables	Granting short-term loans	571,738	718,655
Current portion of non-current assets	Current portion of long-term loans	227,597	374,112
Long-term receivables	Granting long-term loans	1,528,632	1,302,551
Other payables	Absorbing deposit	<u>(4,764,271)</u>	<u>(3,934,829)</u>
		Unit: RMB'000	
<b>Income statement</b>	<b>Nature</b>	<b>2019</b>	2018
Finance expenses	Interest income		
– interest income	– granting loans	111,074	111,079
Finance expenses	Interest expense		
– interest expenses	– absorbing deposit	<u>(57,702)</u>	<u>(72,310)</u>

### 9. Significant Capital Investment

For the year ended 31 December 2019, the Group had significant capital investment of RMB2,736 million, mainly consisting of the investments in the projects of the Dongjiakou Port-Weifang-Central and Northern Shandong oil pipeline and ancillary tanks, Qingdao Port Investment multi-purpose berths and North Jetty II rear ancillary stacking yards in Dongjiakou Port Area, and Dongjiakou Port Area Crude Oil Commercial Reserve Tanks and others, as well as the acquisition of land use rights in Dongjiakou Port Area.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 10. Details of The Material Entrusted Wealth Management

For the year ended 31 December 2019, details of the material entrusted wealth management of the Group are set out as below:

Unit: RMB'000

Entrustee	Product type	Balance	Start date	Expiry date	Expected annualized return rate	Source of funding
China Everbright Bank	Wealth management product	200,000	9/12/2019	9/3/2020	3.85%	self-owned funds
Qingdao Rural Commercial Bank	Wealth management product	200,000	24/12/2019	24/3/2020	3.80%	self-owned funds
China Zheshang Bank	Wealth management product	200,000	11/9/2019	17/12/2019	4.10%	self-owned funds

Note: The above listed is the entrusted wealth management with a single investment amount of more than RMB200 million.

### 11. Significant Acquisition and Disposal of Subsidiaries, Joint Ventures and Associates

For the year ended 31 December 2019, Qingdao Port International Development (Hong Kong) Co., Ltd., a wholly-owned subsidiary of the Company purchased 6,667 shares or 33.335% of the equity interests of COSCO Shipping Port (Abu Dhabi) Limited for the consideration of US\$59,276,030 from COSCO Shipping Port Co., Ltd.. Through this transaction, Qingdao Port International Development (Hong Kong) Co., Ltd. indirectly held 30.0015% of the equity interests of CSP Abu Dhabi Terminal L.L.C through its shareholding in COSCO Shipping Port (Abu Dhabi) Limited. For details, please refer to announcement of the Company dated 26 November 2019. As at 31 December 2019, the Group has not yet made the payment of the consideration of acquisition.

Save as the disclosure above, during the year ended 31 December 2019, the Group did not have any significant acquisition and disposal of subsidiaries, joint ventures and associates.

### 12. Pledge of Assets

As at 31 December 2019, the Group had pledged on its other receivables of RMB8.75 million for a borrowing of RMB6.97 million. Save as disclosed aforesaid, no other Group's assets were pledged.

### 13. Contingent Liabilities

As at 31 December 2019, the Group has no significant contingent liabilities.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 14. Employees

As at 31 December 2019, the Company engaged 4,866 employees, and the Company and its principal subsidiaries engaged 8,738 employees in total. The employees' remunerations of the Group include basic salaries and performance incentives. The growth of employees' remunerations are determined by their working performance, economic environment, and supply and demand conditions of human resource market, under the "two matches" principle to match the employees' income growth with the growth of the Company's results and the raise of production rate. Meanwhile, the Group's remuneration policy is reviewed on a regular basis as well. Adhering to its "people-focused" approach and safeguarding the legitimate rights and interests of employees, the Group contributes social insurances as required by the relevant regulations of the PRC and also sets up enterprise annuity to provide extra welfare scheme to its employees.

### 15. 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 31 December 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 may adopt 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 31 December 2019, the Group did not receive any relocation plan or relevant notice, nor 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.

### 16. Outlook for 2020

In 2020, the international situation is complicated and variable with an unchanged healthy and improved trend of domestic economy. The Group will aim at accelerating the construction of a world-class marine port, seizing the opportunities of policy overlay of the Shanghai cooperation organization local economic and trade cooperation demonstration zone and the Shandong Free Trade Zone, continuing to deepen the reformation, accelerating the process of transformation and upgrading, prioritizing performance, expanding the space of development, improving the management efficiency comprehensively, and creating greater value for shareholders and the society.

Firstly, the Group will continuously improve its operating performance. The Group will expand the business both on land and sea. For the sea direction, the Group will increase shipping lines, expand container shipping capacity, expand transit business, and strengthen the linkage among ports to jointly build a transit network radiating the Northeast Asian ports groups and create a domestic trade transit channel linking the north and south. For the land direction, the Group will open railway routes, establish inland ports, expand cargo sources, optimize the layout of inland ports, increase the number of sea-rail intermodal routes, and accelerate the transformation from a gateway port to a hub port. The Group will seize policy opportunities and integrate into the "end-to-end" global logistics supply chain, and expand the emerging businesses such as transit consolidation, bonded refueling, oil blending, cold chain logistics, cross-border e-commerce, and roll-on-roll-off business. The Group will promote new models such as the international transfer of ores and bonded spot crude oil storage, provide comprehensive services to customers, and accelerate the transformation from a logistics port to a trade port.

## MANAGEMENT DISCUSSION AND ANALYSIS

Secondly, the Company will continuously enhance development potential. The Group will accelerate the construction of intelligent ports, constantly improving the intelligent operation system of automated terminals. The Group will promote the construction of green ports, accelerate the automatization of terminal yards and build a clean and low-carbon energy system in the ports. The Group will strengthen the construction of key projects and make efforts to promote the construction of Phase II of the Dongjiakou crude oil terminal, the crude oil commercial reserve storage, the PetroChina crude oil storage, and Phase I of the sea-rail intermodal capacity expansion project in Qianwan Port Area. The Group will promote joint ventures and cooperation and attract high-quality enterprises to invest in the construction of ore mixing and blending, timber, grain and other port processing industries and logistics transit bases in the port area of Dongjiakou. The Group will actively expand international development space and promote and operate a smooth run of international projects such as the Vado Ligure terminals in Italy and the Phase II of Abu Dhabi Khalifa terminals in United Arab Emirates.

Thirdly, the Group will continuously promote management efficiency. The Group will focus on intrinsic safety, establish safety responsibility lists of all staff, and build a safe port. The Group will improve its modern governance system, strengthen the management of security affairs, and build a benchmark in the capital market. The Group will innovate people-oriented management, expand employees' career development channels, optimize the salary system, do practical work for employees' benefits, and share the development results of the port with employees.

### III. INITIAL PUBLIC OFFERING OF A SHARES

To further broaden the capital replenishment channels, and enhance the core competitiveness, the Company completed its initial public offering of RMB ordinary shares (A shares) in the Shanghai Stock Exchange on 21 January 2019 with the issue of 454,376,000 shares 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 shares offering was conducted by way of a general mandate granted to the Board by the shareholders at the 2017 annual general meeting held on 6 June 2018. The total amount of funds raised in this issuance of A share offering was approximately RMB2,094.67 million and the net proceed was approximately RMB1,978.93 million after deducting the offering expense of approximately RMB115.74 million. After the A shares offering, the total number of shares of the Company was 6,491,100,000 shares, among which A shares comprise 5,392,075,000 shares and H shares comprise 1,099,025,000 shares.

Details of the use of proceeds were as follows:

	Unit: RMB0'000
<b>Investment Projects of Proceeds</b>	<b>Net Amount of Proceeds</b>
Dongjiakou Port Area Crude Oil Commercial Reserve Tanks Project	—
The Project of Qingdao Port Investment Multi-purpose Berths and North Jetty II Rear Ancillary Stacking Yards in Dongjiakou Port Area	100,000
Dongjiakou Integrated Logistics Stacking Yard Phase I Project	18,000
Intelligent Port Area Upgrading Project	20,000
Port Area Equipment Procurement Project	30,210
Supplementing working capital	29,683
	<hr/>
<b>Total</b>	<b>197,893</b>
	<hr/> <hr/>

## MANAGEMENT DISCUSSION AND ANALYSIS

In order to improve the efficiency of using the proceeds raised from the A shares offering, on 29 January 2019, the Board resolved that the proceeds of RMB320.32 million raised from the A shares offering was used to replace the self-raised funds putting into investment projects of proceeds in advance; on 29 January 2019 and 26 December 2019, the Board resolved that among the proceeds raised from the A shares offering, an amount of idle funds of no more than RMB1.5 billion and RMB1.2 billion, respectively are to be used in cash management, purchasing wealth management products of high security, good liquidity with principal protected, and the term of such products shall not exceed 12 months. Please refer to the announcements of the Company dated 30 January 2019 and 27 December 2019 for details.

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

In order to increase the profit of the Company and promote the smooth implementation of the projects, on 26 March 2020, the Board resolved to change certain use of proceeds and terminate some investment projects, among which, the Company proposed to terminate Dongjiakou Integrated Logistics Stacking Yard Phase I Project and put the unused proceeds of RMB180 million into Port Area Equipment Procurement Project and the Company also proposed to terminate Dongjiakou Port Area Crude Oil Commercial Reserve Tanks Project as one of the investment projects of proceeds. Please refer to the announcement of the Company dated 26 March 2020 for details. After the aforesaid change and termination, details of the use of proceeds raised from the A shares offering of the Company were as follows.

	Unit: RMB0'000
<b>Investment Projects of Proceeds</b>	<b>Net Amount of Proceeds</b>
The Project of Qingdao Port Investment Multi-purpose Berths and North Jetty II Rear Ancillary Stacking Yards in Dongjiakou Port Area	100,000
Intelligent Port Area Upgrading Project	20,000
Port Area Equipment Procurement Project	48,210
Supplementing working capital	<u>29,683</u>
<b>Total</b>	<b><u>197,893</u></b>

The aforesaid change and termination will be implemented subject to shareholders' approval at the 2019 AGM.

#### IV. USE OF NET PROCEEDS

The net proceeds from the Global Offering were approximately RMB2,198 million. Considering the actual business development and operation of the Group, the Company has changed the investment projects which the remaining net proceeds were originally proposed to fund. Please refer to the announcement of the Company dated 28 December 2016 for detailed information. As at 31 December 2018, approximately RMB48 million was carried over to this year, which is proposed to be used towards the construction of the oil tanks in the Dongjiakou Port Area. For the year ended 31 December 2019, the Company has finished utilizing the remaining proceeds.



## MANAGEMENT DISCUSSION AND ANALYSIS

The net proceeds from the New H Shares Placing of the Company in 2017 were approximately HKD1,035 million, equivalent to approximately RMB912 million, which will be used in the way as disclosed in the announcement of the Company dated 20 January 2017. As at 31 December 2018, approximately HKD1,035 million was carried over to this year, which is proposed to be used as funds for the overseas terminal investment and acquisition of the Company and working capital for the management of overseas terminal projects by the terminal project management company(ies) jointly established with COSCO SHIPPING Ports. For the year ended 31 December 2019, approximately HKD0.60 million had been utilized towards the investment projects in the way as disclosed in the announcement of the Company dated 20 January 2017, which was mainly used as working capital for the management of overseas terminal projects management company jointly established with COSCO SHIPPING Ports and early work for preparation of overseas investments. 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 annual report, there is no detailed schedule for the utilization of the remaining proceeds.

The net proceeds from the Company's issuance of the Domestic Shares to Shanghai China Shipping Terminal Development Co., Ltd. were approximately RMB2,600 million. As at 31 December 2018, approximately RMB312 million was carried over to this year, which is proposed to be used towards the construction of the port facilities in Dongjiakou Port Area, the optimization of the modern logistics business structure of the Company, the domestic terminals investment and acquisition and the consolidation of the relevant port assets in the Port of Qingdao, and the information facility construction of the Company in accordance with the ways as disclosed in the announcement of the Company dated 20 January 2017. For the year ended 31 December 2019, approximately RMB141 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, the information facility construction of the Company, the domestic terminals investment and acquisition and the consolidation of the relevant port assets in the Port of Qingdao. 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 annual 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 year ended 31 December 2019, the proceeds of approximately RMB759 million (including approximately RMB320 million used to replace the self-raised funds putting into investment projects in advance) 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, intelligent port area upgrading project and supplementing working capital. 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 annual report, there is no detailed schedule for the utilization of the remaining proceeds.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

The Board has proposed the distribution of final dividend of RMB200.30 (tax inclusive) per thousand shares, totaling approximately RMB1,300,167.3 thousand (tax inclusive) which represents 40% of Distributable Profits attributable to shareholders of the Company for the year ended 31 December 2019. Such distribution plan will be implemented on 5 August 2020 subject to approval at the 2019 AGM.

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

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

In order to determine the eligibility of being entitled to the proposed final dividend for H shares, the H share register of the Company will be closed from Wednesday, 17 June 2020 to Monday, 22 June 2020 (both days inclusive), during which no H share transfer will be registered. The H shareholders whose names appear on the register of members of the Company on Monday, 22 June 2020 are entitled to the proposed final dividend. Holders of the Company's H shares who wish to receive the proposed final dividend are required to deposit the transfer documents together with the relevant share certificates at the H Share Registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. Tuesday, 16 June 2020 for registration.

### VI. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

The Company has complied with all code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Hong Kong Listing Rules during the year ended 31 December 2019.

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

The Company has adopted the Model Code as its own code of conduct for securities transactions by directors and supervisors of the Company. Specific enquiries have been made to all the Directors and supervisors of the Company and each of the Directors and supervisors of the Company has confirmed that he/she has complied with the Model Code for the year ended 31 December 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

For the year ended 31 December 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 investor’s selling-back	Amount after investor’s 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 annual 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 year ended 31 December 2019.

### IX. AUDIT COMMITTEE

The Audit Committee of the Board has reviewed, with management of the Company, the accounting principles and policies adopted by the Group and the financial statements for the year ended 31 December 2019.

### X. AMENDMENTS TO CONSTITUTIONAL DOCUMENT

The Articles of Association that is applicable upon the A shares offering of the Company has taken effect since 21 January 2019, i.e. the listing date of A shares of the Company. The current applicable Articles of Association has been published on the websites of the Company and the Hong Kong Stock Exchange.

### XI. CLOSURE OF REGISTER

In order to determine the eligibility of shareholders who are entitled to attend the 2019 AGM, the H share register of the Company will be closed from Monday, 11 May 2020 to Wednesday, 10 June 2020 (both days inclusive), during which no H share transfer will be registered. The shareholders whose names appear on the register of H share members of the Company on Monday, 11 May 2020 are entitled to attend and vote at the 2019 AGM. Holders of the Company’s H shares who wish to attend the 2019 AGM but have not registered the transfer documents are required to deposit the transfer documents together with the relevant share certificates at the H Share Registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17 Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 8 May 2020 for registration.

## MANAGEMENT DISCUSSION AND ANALYSIS

### XII. MATERIAL LITIGATIONS

The progress of No. 794 case which the Company was involved in as disclosed in the announcement of the Company dated 15 November 2018 is as follows:

On 25 April 2019, the Company and the Dagang Branch of the Company received the (2019) Lu Minzhong No. 596 (魯民終596號) “Civil Ruling Letter” issued by the Higher People’s Court of Shandong Province. As the appellant, Pacorini Metals (Shanghai) Logistics Co., Ltd. did not pay the appeal fee within the period stipulated by the court, the ruling was deemed to be the appellant’s automatic withdrawal of the appeal, and the first instance judgment in this case became legally effective from the date the ruling was served and was final judgment.

The Company does not expect the aforesaid litigation and relevant judgments and orders to have material adverse impacts on the business and operations of the Group. For further details, please refer to the announcement of the Company dated 26 April 2019.

Save as disclosed in this annual report, for the year ended 31 December 2019, the Group was not involved in any material litigations.

### XIII. SUBSEQUENT EVENTS

The new coronavirus pneumonia epidemic broke out across the country in early 2020, and related prevention and control work continued throughout the country. The Group has paid close attention to the development of the epidemic situation, taken various measures to prevent and control the epidemic situation and tried to minimize its impact on the Group’s business. After the evaluation from the Group on the impact of the epidemic on the Group’s financial position and operating results, as of the date of approval of the financial statements, no significant adverse effects have been found.

Save as disclosed in this annual report, after 31 December 2019, the Group did not have any material subsequent events.

## XIV. CORPORATE SOCIAL RESPONSIBILITY

### 1. Environment Protection

The Group values social responsibility, sticks to green development and is fully committed to green port construction. The Group actively adopted measures to prevent pollution of the atmosphere and water, which had improved the level of environmental protection management, and the utilization rate of energy-saving lighting in yards and roads reached 100%. The Group actively promoted the application of solar wind street light technologies and the application of the coastal power supply technology by building 6 sets of the coastal power supply facilities. There were 33 sets of charging piles built in the parking lot of the port area to provide vehicle charging services for the majority of employees. We also encouraged the use of frequency conversion technology, hybrid technology, and potential energy recovery technology in large-scale equipment and process equipment. QQCTN was awarded the “APEC Green Port 2019”.

The Group made efforts to build a green and ecology-friendly environment. In 2019, 3,331 arbors, 1.6 million bushes and more than 2.2 million seasonal flowers were newly planted in the four principal port areas of the Group.



## MANAGEMENT DISCUSSION AND ANALYSIS

The Group continued to enhance health and epidemic prevention management. In the year 2019, the Group responded to Qingdao's call to build a national sanitary city by carrying out the action of "Overall Environment Inspection & Comprehensive Sanitation Promotion" in an in-depth manner, and the sanitary condition of the port areas was further improved. The Group completed an accumulated pesticide application of 39.70 million square meters for vector destruction in its port areas and the health and epidemic prevention work of the Group was highly recognized by competent government authorities.

### 2. Employee Care

The Group highly values the cultivation and development of talents and works hard to implement a talent cultivation plan. In 2019, 300 employees in the Group obtained various professional and technical titles in high, middle and junior levels, 113 employees were qualified as senior workers, technicians and senior technicians, the structure of age, education, knowledge and ability in key and significant posts such as leadership, management and technical personnel showed positive changes, providing a solid talent foundation for the development of the Group.

The Group focuses on training the learning staff and building the learning organization. In 2019, the Company's headquarter organized a total of ten categories of training programs such as high-end lectures and international talent training. In total, there were 51 special training sessions on 24 topics, 237 days of training, and 3,677 of attendants.

The Group cares about the physical and mental health of its employees and has formulated scientific, comprehensive and optimized medical examination standards. The Group provides health checks to employees annually and follows up on their treatment.

The Group attaches great importance to the management of employee safety. The Company implemented safety training for all employees and safety rotation training for key positions to improve employees' safety literacy. The Group carried out the upgrading and improvement of technical prevention facilities for key parts (oil product loading lines, parking lots, liquid ammonia cold storage, high-rise buildings, etc.) to create a safe environment, and increased on-site inspections and hidden danger investigations have also been carried out to ensure the safety of operations in new business areas. The safety standards were implemented and many units were rated as "City-level Benchmarking Enterprise" for safety management.

The Group strives to provide a platform for employees to grow their talents and builds a channel for their personal development. The Company insists that as long as employees are willing to learn and work, all of them can become talents. The Company insists on respecting people, training people, shaping people, using advanced culture to gather people and using flexible mechanisms to motivate people. The Company creates good conditions and builds the platform for employees to demonstrate their talents, promotes the all-round development of employees, and achieves a harmonious and win-win situation for enterprises and employees.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 3. Community Care

The Group actively participated in volunteering activities to help the elderly, the poor and the youths. The Group organized its employees to donate blood on a regular basis. The Group also organized activities for its employees to visit the elderly in community nursing homes, to donate clothes to pupils in poverty-stricken areas, to pick up garbage in residential areas, to promote environmental protection concept, and to condole the elderly who live alone. In 2019, the Group donated RMB500,000 to help the poor town to build a cherry industrial park.

Please refer to the “2019 Sustainability Report” published by the Company for further details on our corporate social responsibility.

## XV. RISK ALERT

### 1. Risk in Relation to the Macro Economy Volatility

Port industry belongs to the basic industry of the national economy, the development of which has a high degree of correlation with the macro-economic situation and will be greatly influenced by the volatility of economic cycle. The volatility of world trade will influence the import and export business in various countries, which in turn will impact the operating situation of ports.

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

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

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

### 3. Risk in Relation to the Adjustment of Port Rate

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

The Company will take full advantage of our comprehensive services and diversified cargo to proactively exploit diversified space for development. The Company will continue to strengthen the construction of the transportation system and inland network, providing its customers with an “one-stop” integrated logistics service to consolidate and expand our hinterlands of cargo resource. The Company will strengthen internal management in an all-round way to ensure our stable development.

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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



**Mr. LI Fengli (李奉利)**, born in 1965, is a PHD in Harbour, Coastal and Offshore Engineering of Ocean University of China (中國海洋大學) and an engineer. He has joined the Company since May 2019. He currently serves as chairman, non-executive Director, chairman of Strategy and Development Committee, a member of Nomination Committee, a member of Remuneration Committee and authorised representative of the Company, deputy secretary to the Party Committee, a director, and general manager of Shandong Port Group Co., Ltd. (山東省港口集團有限公司), chairman of Financial Holdings. He served as secretary of Licang District of Qingdao City (青島市李滄區), deputy secretary and district governor of Huangdao District of Qingdao city (青島市黃島區), director of Management Committee and deputy secretary to Working Committee of the New District of West Coast of Qingdao city (青島西海岸新區管委), director of Management Committee of the Economic and Technological Development Zone of Qingdao city (青島經濟技術開發區), secretary to the Party Committee and chairman of QDP, and an executive director of the Company. Mr. LI Fengli has over 30 years of experience in leadership and management of state authorities and large-scale state-owned enterprises.



**Mr. ZHANG Wei (張為)**, born in 1973, is a master in management of Fudan University and an engineer. He has joined the Company since June 2017. He currently serves as a non-executive Director of the Company and a member of Strategy and Development Committee of the Board, deputy general manager and a member of the Party Committee of China COSCO Shipping Corporation Limited. He was a deputy director and director of pricing department of marketing and sales division of COSCO Container Lines, an assistant manager, a deputy general manager of America trade division of COSCO Container Lines, an executive vice president of COSCO Container Lines America Co., Ltd., a deputy general manager of the United States branch of COSCO Container Lines, a general manager of strategy and development division of COSCO Container Lines, a general manager of the transportation division and a general manager of the operating management division of COSCO Group, a general manager of the operating management division an executive deputy director of the integration management office of China COSCO Shipping Corporation Limited, a general manager, chairman of the board, secretary and vice secretary to the Party Committee of COSCO SHIPPING Ports Limited, a deputy general manager, a member of the Party Committee and secretary to the Party Committee of COSCO SHIPPING Holdings Co., Ltd. Mr. ZHANG Wei has over 20 years of experience in the shipping industry, and has extensive experience in container transportation, terminal management, and corporate management, integration and restructuring, and operations of listed companies.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



**Mr. CHU Xiaozhong** (褚效忠), born in 1960, graduated from Shandong Provincial Party School (山東省委黨校) with a part time bachelor degree majoring in archive secretary, and a senior political engineer. He joined the Qingdao Port Authority (青島港務局), which is currently known as QDP, since August 1983, and has joined the Company since November 2013. He currently serves as an employee representative director, a member of Strategy and Development Committee, a member of Audit Committee, and chairman of the Labor Union of Intra-Organizational Department of the Company. He served as director of development department and director of personnel department of QDP, secretary to the Party Committee and deputy manager of Gangjian Branch of the Company and secretary to the Party Committee of Intra-Organizational Department, secretary to the Discipline Inspection Committee of Intra-Organizational Department and a member of the Party Committee of the Company. Mr. CHU Xiaozhong has over 30 years of working experience in the port industry, and is experienced in managing large-scale port enterprises.



**Ms. LI Yan** (李燕), born in 1957, graduated from Central Finance and Economics Institute (中央財政金融學院) (now known as Central University of Finance and Economics (中央財經大學)) with a bachelor degree in economics majoring in finance. She has joined the Company since May 2019. She currently serves as an independent non-executive Director of the Company, chairman of Audit Committee and a member of Remuneration Committee of the Board, a professor and doctoral tutor of the School of Finance and Taxation of Central University of Finance and Economics, director of the Government Budget Institute, a non-practicing member of the Chinese Institute of Certified Public Accountants, a director of Chinese Finance Association (中國財政學會), a director of China Finance and Taxation Law Society (中國法學會財稅法學研究會), an independent non-executive Director of Beijing DHC Co., Ltd. (北京東華軟件股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002065), an independent supervisor of Tsingtao Brewery Company Limited (青島啤酒股份有限公司) (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, with stock codes 00168 and 600600, respectively), She was an independent non-executive Director of Tsingtao Brewery Company Limited, an independent non-executive Director of China Film Co., Ltd. (中國電影股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600977), an independent non-executive Director of Anhui Win-all Hitech Seed Co., Ltd. (安徽荃銀高科種業股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300087), an independent non-executive Director of Jiangxi Fushine Pharmaceutical Co., Ltd. (江西富祥藥業股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300497).



## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



**Mr. JIANG Min (蔣敏)**, born in 1965, is a master of Civil and Commercial Law from Anhui University. He has joined the Company since May 2019. He currently serves as an independent non-executive Director of the Company, chairman of Nomination Committee and a member of Strategy and Development Committee of the Board, a founding partner of Tianhe Law Firm in Anhui province, an independent non-executive Director of Tsingtao Brewery Company Limited (青島啤酒股份有限公司) (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, with stock codes 00168 and 600600, respectively), an independent non-executive Director of Sungrow Power Supply Co., Ltd. (陽光電源股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300274), an independent non-executive Director of CSG Smart Science & Technology Co., Ltd. (科大智能技術股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300222). He was a deputy director of Anhui Economic Law Firm, and an independent non-executive Director of Shandong Pharmaceutical Glass Co., Ltd. (山東藥用玻璃股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600529).



**Mr. LAI Kwok Ho (黎國浩)**, born in 1977, is a bachelor of Business Administration degree in Professional Accounting from the Chinese University of Hong Kong. He has joined the Company since May 2019. He currently serves as an independent non-executive Director of the Company, chairman of Remuneration Committee, a member of Audit Committee, and a member of Nomination Committee of the Board, chief financial officer and executive director of The 9 Limited (a company listed on NASDAQ, stock code: NCTY), He was an audit manager of Deloitte & Touche Tohmatsu. Mr. LAI Kwok Ho has the qualifications of the Chartered Certified Accountants in UK, the certified public accountant in Hong Kong, and American certified public accountant.

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



**Mr. ZHANG Qingcai (張慶財)**, born in 1960, is a bachelor in engineering of Dalian Maritime Institute (大連海運學院) (now known as Dalian Maritime University (大連海事大學)) and a researcher of engineering technology application. He joined Qingdao Port Authority (青島港務局), which is currently known as QDP, in 1983, and has joined the Company since November 2013. He currently serves as a member of the Party Committee and the chairman of the Supervisory Committee of the Company, chief engineer of Shandong Port Group, a member of Party Committee and an executive deputy general manager of QDP. He served as director of the general office department, director of the Safety and Technology Department, and factory director of the Manufacturing Factory (港機廠), chief engineer of QDP, secretary to the Party Committee and general manager of QQCT, and a director of QQCTN. Mr. ZHANG Qingcai has over 30 years of working experience in the port industry, and is experienced in managing large-scale port enterprises.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



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



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

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



**Mr. LIU Shuiguo (劉水國)**, born in 1975, is a master of transportation planning and management of Dalian Maritime University, and holds the qualification as a lawyer of the People's Republic of China. He is a professor. He has joined the Company since April 2017. He currently serves as an employee representative Supervisor and director of Legal Department, a member of the Party Committee of Intra-Organizational Department and vice chairman of Labor Union of Intra-Organizational Department of the Company, and a supervisor of Financial Holdings. He served as a member of the Party Committee, assistant to the dean, director of educational administration office of Qingdao Harbour Vocational & Technical College (青島港灣職業技術學院), assistant to the director of Legal Department of the Company, deputy director of Legal Department of the Company.



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

### BIOGRAPHICAL DETAILS OF THE SENIOR MANAGEMENT OF THE COMPANY



**Mr. WANG Xinze (王新澤)**, born in 1963, is an undergraduate of the Shandong Provincial Party School and a senior economist. He joined Qingdao Port Authority (青島港務局), which is currently known as QDP, in 1983 and joined the Company in November 2013. He currently serves as a vice secretary to the Party Committee and president (general manager) of the Company, a vice secretary to the Party Committee and a director of QDP. He served as deputy director of the labour department of the Qingdao Port Authority, deputy director and director of the human resources department, deputy director of the general office of QDP, director of the general management department, director of the human resources department, and a vice president of the Company. Mr. WANG Xinze has more than 30 years of experience in the port industry and has extensive experience in management for large-scale port enterprises.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



**Mr. ZHANG Liangang (張連綱)**, born in 1960, graduated from the Department of Electrical Engineering and Computer Sciences of Wuhan Institute of Water Transport Engineering (武漢水運工程學院) (now known as Wuhan University of Technology (武漢理工大學)) with a bachelor degree in Electrification of Ships and Ports. He is a senior engineer. He joined Qingdao Port Authority (青島港務局), which is currently known as QDP, in 1983 and joined the Company in November 2013. He currently serves as a member of the Party Committee and a vice president (deputy general manager) of the Company. He served as a deputy manager, deputy chief engineer, deputy director and director of the Safety and Technology Department of Container Company of QDP, deputy chief engineer of the Company, secretary to the Party Committee, chairman and general manager of QQCTN. Mr. ZHANG Liangang has more than 30 years of experience in the port industry and has extensive experience in large-scale port enterprises management.



**Mr. ZHANG Jiandong (張建東)**, born in 1962, is a part-time bachelor of Economics and Management in the Party School of the Central Committee of the C.P.C. He is a senior economist. He joined the Qingdao Port Authority (青島港務局), which is currently known as QDP, in 1989, and has joined the Company since November 2013. He currently serves as a member of the Party Committee, a vice president (deputy general manager) of the Company, the chairman of the supervisory committee of Weihai Port Group Co., Ltd. and the chairman of the supervisory committee of Shandong Weihai Port Co., Ltd. He served as deputy director of the Dispatching Office of Qingdao Port Authority, director of Business Department of QDP, manager and secretary to the Party Committee of Qiangang Branch of the Company, director of the Safety and Technology Department, and director of Supervision and Audit Department, chief supervisor of Qingdao Finance, chief supervisor of Financial Holdings, a supervisor of Qingdao Port Insurance Brokers Co., Ltd. Mr. ZHANG Jiandong has over 30 years of working experience in the port industry, and has extensive experience in large-scale port enterprise management.



**Mr. LIU Liang (劉良)**, born in 1965, is a bachelor of marine engineering management at Dalian Maritime University. He is a senior economist. He joined the Qingdao Port Authority (青島港務局), which is currently known as QDP, in 1987, and has joined the Company since November 2013. He currently serves as a member of the Party Committee and a vice president (deputy general manager) of the Company. He served as deputy manager and a member the Party Committee of Tugboat Company of QDP, secretary to the Party Branch and director of Material and Equipment Bidding and Purchasing Center, secretary to the Party Committee and manager of the Company's Tugboat Branch. Mr. LIU Liang has over 30 years of working experience in the port industry, and has extensive experience in large-scale port enterprise management.



## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



**Mr. YANG Fengguang (楊風廣)**, born in 1964, is a bachelor of Business Administration at Shandong Academy Governance. He is a senior political engineer. He joined the Qingdao Port Authority (青島港務局), which is currently known as QDP, in 1985, and has joined the Company since December 2014. He currently serves as a member of the Party Committee, a vice president (deputy general manager) of the Company. He served as deputy manager, manager, member of the Party Committee and secretary to the Party Committee of several subsidiaries of QDP, general manager, secretary to the Party Committee and secretary to disciplinary committee of QDOT, secretary to the Party Committee and manager of Qiangang Branch of the Company. Mr. YANG Fengguang has over 30 years of working experience in the port industry, and has extensive experience in large-scale port enterprise management.



**Mr. FAN Xiwei (樊西為)**, born in 1977, graduated from Shandong University of Finance (山東財政學院) (now known as Shandong University of Finance and Economics (山東財經大學)) with a bachelor degree in Finance. He is a senior accountant. He has joined the Company since January 2020. He currently serves as financial director of the Company, a director of QDP, a director of Financial Holdings and a director, chief financial officer and manager of the financial department of Shandong Highway Everbright Industrial Investment Fund Management Co., Ltd. He served as the manager of the financial audit department of Shandong Highway Logistics Group Co., Ltd. and chief accountant of Bohai Bay Group. Mr. FAN Xiwei has more than 20 years of experience in financial management and has extensive experience in financial management of large-scale enterprises.



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

## DIRECTORS' REPORT

The Board is pleased to present the Company's annual report and the audited financial statements for the year ended 31 December 2019.

### PRINCIPAL BUSINESSES AND ACTIVITIES

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

More details regarding the subsidiaries, joint ventures and associates of the Company are set out in Note 6 to the financial statements. The performance of the Group's business segments for the year is set out in Note 7 to the financial statements.

### BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are set out in Management Discussion and Analysis and the Chairman's Statement of this annual report. Description of possible risks and uncertainties that the Group may be facing is set out on page 48 of this annual report. The material subsequent event undertaken by the Group after 31 December 2019 is set out on page 46 of this annual report. An analysis of the Group's performance during the year using financial key performance indicators is set out on pages 36 to 38 of this annual report. Details of the capital structure of the Company is set out on page 36 of this annual report. Details of the significant capital investment of the Group is set out on page 38 of this annual report.

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

### DIVIDEND POLICY

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

## DIRECTORS' REPORT

The profit distribution policy set out in the Articles of Association is as follows:

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

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

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

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

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

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

## DIRECTORS' REPORT

### RESULTS AND FINAL DIVIDEND

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

The Board has proposed the distribution of final dividend of RMB200.30 (tax inclusive) per thousand shares, totaling approximately RMB1,300,167.3 thousand (tax inclusive) which represents 40% of distributable profits attributable to shareholders of the Company for the year ended 31 December 2019. Such distribution plan will be implemented on 5 August 2020 subject to approval at the 2019 AGM.

### SHARE CAPITAL

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. After the completion of the A share offering, the original domestic shares of the Company were simultaneously converted into A shares. After completion of the A share offering, share capital structure of the Company is set out below:

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

Changes in share capital of the Company during the year are set out in Note 4(36) to the financial statements.

### AUDIT COMMITTEE

Please refer to the chapter of Management Discussion and Analysis in this annual report for details.

### RESERVES

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

### DISTRIBUTABLE RESERVES

As at 31 December 2019, the amount of reserves available for distribution of the Company was approximately RMB7,637 million, including a dividend of approximately RMB1,300 million, which is to be proposed at the 2019 AGM.

### DONATIONS

During the year, the Company and its subsidiaries donated RMB530,000 to poverty alleviation projects and Beijing Zhantianyou Development Foundation for Science and Technology.



## DIRECTORS' REPORT

### INITIAL PUBLIC OFFERING OF A SHARES

Please refer to the chapter of Management Discussion and Analysis in this annual report for details.

### USE OF NET PROCEEDS

Please refer to the chapter of Management Discussion and Analysis in this annual report for details.

### BANK BORROWINGS AND OTHER BORROWINGS

Details of bank borrowings and other borrowings of the Company and its subsidiaries as at 31 December 2019 are set out in Note 4(22), Note 4(29) and Note 4(31) to the financial statements.

### MAJOR CUSTOMERS AND SUPPLIERS

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

Revenue from the largest customer as a percentage of the Group's revenue from sales of goods or rendering of services	Less than 10%
Revenue from the top five customers as a percentage of the Group's revenue from sales of goods or rendering of services	Less than 25%
Purchase amount from the largest supplier as a percentage of the Group's purchases amount	Less than 10%
Purchase amount from the top five suppliers as a percentage of the Group's purchases amount	Less than 15%

### SIGNIFICANT INVESTMENT

Details of the Group's significant investments and their performance during the year are set out in Note 4(12), Note 4(48) and Note 6(2) to the financial statements. Such investments are important parts of the business of the Group, which are in favour of enhancing the profitability, business diversification and abilities in shielding against risks of the Group.

### FIXED ASSETS AND CONSTRUCTION IN PROGRESS

Details of changes in property, plant and equipment of the Group are set out in Note 4(15) and Note 4(16) to the financial statements.

### INVESTMENT PROPERTIES

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

## DIRECTORS' REPORT

### DIRECTORS, SUPERVISORS AND THEIR CHANGES

On 29 January 2019, Mr. ZHENG Minghui tendered the resignation letter to the Board due to his age, and resigned as the Company's executive Director, chairman of the Board, chairman of the Strategy and Development Committee of the Board, the member of the Nomination Committee of the Board and the authorised representative. For further details, please refer to the announcement of the Company dated 29 January 2019.

Mr. CHAU Kwok Keung, Mr. YANG Qiulin and Mr. WANG Yaping retired as independent non-executive Directors of the Company on 17 May 2019, due to the expiry of the term of office as the Director.

On 17 May 2019, Mr. LI Fengli was elected and appointed as an executive Director, the chairman, the chairman of the Strategy and Development Committee of the Board, and the member of the Nomination Committee of the Board of the third session. For further details, please refer to the announcement of the Company dated 17 May 2019.

On 17 May 2019, Ms. LI Yan was appointed as an independent non-executive Director, the chairman of the Audit Committee of the Board and the member of the Remuneration Committee of the Board of the third session. For further details, please refer to the announcement of the Company dated 17 May 2019.

On 17 May 2019, Mr. JIANG Min was appointed as an independent non-executive Director, the chairman of the Nomination Committee of the Board and the member of the Strategy and Development Committee of the Board of the third session. For further details, please refer to the announcement of the Company dated 17 May 2019.

On 17 May 2019, Mr. LAI Kwok Ho was appointed as an independent non-executive Director, the chairman of the Remuneration Committee of the Board, the member of the Nomination Committee of the Board and the member of the Audit Committee of the Board of the third session. For further details, please refer to the announcement of the Company dated 17 May 2019.

Mr. LI Xuxiu and Mr. LIU Dengqing retired as independent Supervisors of the Company on 17 May 2019 due to the expiry of term of office as the Supervisor.

On 17 May 2019, Mr. WANG Yaping and Mr. YANG Qiulin were appointed as the independent Supervisor of the Supervisory Committee of the third session. For further details, please refer to the announcement of the Company dated 17 May 2019.

Save as disclosed herein, there were 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 during the period from 1 January 2019 to 31 December 2019.

## DIRECTORS' REPORT

### BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Board currently comprises six Directors, three non-executive Directors, namely Mr. LI Fengli, Mr. ZHANG Wei and Mr. CHU Xiaozhong; and three independent non-executive Directors, namely Ms. LI Yan, Mr. JIANG Min and Mr. LAI Kwok Ho.

Due to work arrangements, Mr. LI Fengli, Mr. ZHANG Jiangnan and Ms. JIANG Chunfeng have been re-designated from executive Directors to non-executive Directors since 10 January 2020. Due to work adjustments, Mr. JIAO Guangjun has tendered the resignation letter to the Board on 10 January 2020, and resigned as the non-executive Director of the Company, the vice chairman, a member of the Strategy and Development Committee of the Board, a member of the Remuneration Committee of the Board and the authorised representative. On the same day, Mr. LI Fengli was appointed as a member of the Remuneration Committee of the Board and the authorised representative. Due to the adjustment of work arrangements, Mr. LI Fengli tendered his resignation letter to the Board on 26 March 2020 to the effect that Mr. LI Fengli resigned as a non-executive Director, the chairman of the Board, the chairman of Strategy and Development Committee of the Board, a member of the Nomination Committee, a member of the Remuneration Committee of the Board and the authorized representative. Mr. LI Fengli will continue to serve in aforesaid positions until the 2019 AGM and his resignation letter will take effect upon the election of new directors of the Company at the 2019 AGM. Due to the adjustment of work arrangements, Mr. ZHANG Jiangnan and Ms. JIANG Chunfeng tendered their resignation letters to the Board on 26 March 2020, respectively, to the effect that they resigned as non-executive Directors of the Company, and members of the Strategy Committee of the Board. For further details, please refer to the announcements of the Company published on 10 January 2020 and 26 March 2020.

The Supervisory Committee currently comprises five Supervisors, including one shareholder representative Supervisor, namely Mr. ZHANG Qingcai; two independent Supervisors, namely Mr. WANG Yaping and Mr. YANG Qiulin; and two employee representative supervisors, namely Mr. LIU Shuiguo and Ms. WANG Xiaoyan.

Due to the adjustment of work arrangements, Mr. LI Wucheng tendered his resignation letter to the Supervisory Committee on 26 March 2020 to the effect that Mr. LI Wucheng will resign as a supervisor of the Company. For further details, please refer to the announcement of the Company published on 26 March 2020.

There are seven senior management in total, including the President (general manager) Mr. WANG Xinze, the vice president (deputy general manager) Mr. ZHANG Liangang, the vice president (deputy General Manager) Mr. ZHANG Jiandong, the vice president (deputy general manager) Mr. LIU Liang, the vice president (deputy general Manager) Mr. YANG Fengguang, the chief financial officer Mr. FAN Xiwei and the Board secretary Mr. CHEN Fuxiang.

Due to work arrangements, since 10 January 2020, Mr. ZHANG Jiangnan ceased to serve as the Company's president, Mr. SU Jianguang and Mr. WANG Xinze ceased to serve as the Company's vice presidents, and Ms. JIANG Chunfeng ceased to serve as the Company's vice president and chief financial officer. On 10 January 2020, the Board appointed Mr. WANG Xinze as the Company's president (general manager), Mr. ZHANG Liangang as the Company's vice president (deputy general manager), and Mr. FAN Xiwei as the Company's chief financial officer. On 26 March 2020, the Board appointed each of Mr. ZHANG Jiandong, Mr. LIU Liang and Mr. YANG Fengguang as the Company's vice presidents (deputy general managers). For further details, please refer to the announcements of the Company published on 10 January 2020 and 26 March 2020.

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

## DIRECTORS' REPORT

### SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with all Directors and supervisors for a term of three years up to the conclusion of 2021 annual general meeting or which shall be terminated pursuant to relevant terms of respective contracts.

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

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

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

### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2019.

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

COSCO SHIPPING Group is one of the largest shipping companies in the world, the port operation and investment and the logistics business of which are similar to and/or are likely to compete/compete with those of the Company. During the year ended 31 December 2019, Mr. ZHANG Wei, a non-executive Director of the Company, also serves as a director or a member of senior management of COSCO SHIPPING Group, COSCO SHIPPING Ports, and COSCO SHIPPING Holdings Co., Ltd., all of which are members of COSCO SHIPPING Group.

Shandong Port Group was established in August 2019, the port operation and logistics business of which are similar to and/or are likely to compete/compete with those of the Company. During the year ended 31 December 2019, Mr. LI Fengli, the chairman of the Board, concurrently also served as a director and the general manager of Shandong Port Group and Mr. JIAO Guangjun, the vice chairman of the Board, concurrently also served as the deputy general manager of Shandong Port Group. Mr. JIAO Guangjun had resigned from all positions in the Company on 10 January 2020.

The Company has received confirmation letters from the Directors confirming that, save as disclosed above, other than business of the Group, none of the Directors holds any interest in business which directly or indirectly competes or is likely to compete with the business of the Group during the year ended 31 December 2019.



## DIRECTORS' REPORT

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

Remuneration of Directors and Supervisors of the Company is determined based on their roles and duties, the Company's remuneration policy and the prevailing market conditions, subject to the approval of the shareholders' general meeting. Details of remuneration of Directors, Supervisors and the five highest paid individuals of the Company during the year are set out in Note 8(9) and Note 8(10) to the financial statements.

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

So far as the Directors are aware, as at 31 December 2019, none of the Directors, Supervisors or the chief executive and their respective associates had any interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which will be required, pursuant to Section 352 of the SFO, to be recorded in the register kept by the Company, or (ii) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

### MATERIAL CONTRACT

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

### INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 December 2019, the following person (other than the Directors, Supervisors and chief executive) 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:

Name	Class of Shares	Capacity/Nature of interest	Number of shares held	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	Long position/ short position
QDP	A shares	Beneficial owner <sup>(1)</sup>	3,522,179,000	54.26%	65.32%	—	Long position
Shandong Port Group Co., Ltd.	A shares	Interest in a controlled corporation <sup>(1)</sup>	3,522,179,000	54.26%	65.32%	—	Long position
COSCO SHIPPING Ports Development Co., Ltd.	H shares	Beneficial owner <sup>(4)</sup>	86,916,000	1.34%	—	7.91%	Long position
Shanghai China Shipping Terminal Development Co., Ltd.	A shares	Beneficial owner <sup>(2)</sup>	1,015,520,000	15.64%	18.83%	—	Long position

## DIRECTORS' REPORT

Name	Class of Shares	Capacity/Nature of interest	Number of shares held	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	Long position/short position
COSCO SHIPPING Ports Limited	A shares	Interest in a controlled corporation <sup>(2)</sup>	1,111,520,000	17.12%	20.61%	—	Long position
	H shares	Interest in a controlled corporation <sup>(4)</sup>	86,916,000	1.34%	—	7.91%	Long position
China COSCO (Hong Kong) Limited	A shares	Interest in a controlled corporation <sup>(2)</sup>	1,111,520,000	17.12%	20.61%	—	Long position
	H shares	Interest in a controlled corporation <sup>(4)</sup>	86,916,000	1.34%	—	7.91%	Long position
COSCO SHIPPING Holdings Co., Ltd.	A shares	Interest in a controlled corporation <sup>(2)</sup>	1,111,520,000	17.12%	20.61%	—	Long position
	H shares	Interest in a controlled corporation <sup>(4)</sup>	86,916,000	1.34%	—	7.91%	Long position
China Ocean Shipping Co., Ltd.	A shares	Interest in a controlled corporation <sup>(3)</sup>	1,207,520,000	18.60%	22.39%	—	Long position
	H shares	Interest in a controlled corporation <sup>(4)</sup>	86,916,000	1.34%	—	7.91%	Long position
China COSCO Shipping Corporation Limited	A shares	Interest in a controlled corporation <sup>(3)</sup>	1,207,520,000	18.60%	22.39%	—	Long position
	H shares	Interest in a controlled corporation <sup>(4)</sup>	86,916,000	1.34%	—	7.91%	Long position
Value Partners Group Limited	H shares	Interest in a controlled corporation <sup>(5)</sup>	87,598,000	1.35%	—	7.97%	Long position
Value Partners High-Dividend Stocks Fund	H shares	Beneficial owner	85,612,000	1.32%	—	7.79%	Long position
China Life Insurance (Group) Company	H shares	Beneficial owner	180,000,000	2.77%	—	16.38%	Long position
Invesco Asset Management Limited	H shares	Investment manager	76,903,000	1.18%	—	6.99%	Long position
FMR LLC	H shares	Interest in a controlled corporation	76,899,983	1.18%	—	6.99%	Long position

## DIRECTORS' REPORT

### Notes:

- (1) QDP is wholly owned by the State-owned Assets Supervision and Administration Commission of Qingdao Municipality. The Company was informed that as at 31 December 2019, QDP held 13,739,000 H shares of the Company, 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 QDP and as at the date of this annual report, based on publicly available information and so far as the Directors are aware, 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.

On 22 August 2019, Shandong Port Group, Qingdao SASAC, Weihai SASAC and QDP entered into the Gratuitous Transfer Agreement of the Equity Interests. Qingdao SASAC will gratuitously transfer 100% equity interests in QDP to Shandong Port Group. After the completion of gratuitous transfer, QDP will become a wholly-owned subsidiary of Shandong Port Group. As of the date of issue of the annual report, the transfer of the above equity has not been completed. For details, please refer to the announcements of the Company dated 22 August 2019, 23 August 2019, and 28 August 2019. The Company will continue to pay attention to this matter and make timely information disclosure.

- (2) 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 48.79% owned by China COSCO (Hong Kong) Limited, which is wholly owned by COSCO SHIPPING Holdings Co., Ltd.. COSCO SHIPPING Holdings Co., Ltd. is 8.33% owned by China COSCO Shipping Corporation Limited and 37.89% owned by China Ocean Shipping Co., Ltd., and China Ocean Shipping Co., Ltd. is wholly owned by China COSCO Shipping Corporation Limited. As such, each of COSCO SHIPPING Ports Limited, China COSCO (Hong Kong) Limited, COSCO SHIPPING Holdings Co., Ltd., China Ocean Shipping Co., Ltd. and China COSCO Shipping Corporation Limited is deemed to be interested in 1,111,520,000 A shares of the Company.
- (3) In addition to 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 96,000,000 A shares of the Company and deemed to be interested in 1,207,520,000 A shares of the Company in total.
- (4) 86,916,000 H shares of the Company are directly held by COSCO SHIPPING Ports Development Co., Ltd.. COSCO SHIPPING Ports Development Co., Ltd. is wholly owned by COSCO SHIPPING Ports Limited. COSCO SHIPPING Ports Limited is 48.79% owned by China COSCO (Hong Kong) Limited, which is wholly owned by COSCO SHIPPING Holdings Co., Ltd.. COSCO SHIPPING Holdings Co., Ltd. is 8.33% and 37.89% owned by China COSCO Shipping Corporation Limited and China Ocean Shipping Co., Ltd., respectively. China Ocean Shipping Co., Ltd. is wholly owned by China COSCO Shipping Corporation Limited. As such, each of COSCO SHIPPING Ports Limited, China COSCO (Hong Kong) Limited, COSCO SHIPPING Holdings Co., Ltd., China Ocean Shipping Co., Ltd. and China COSCO Shipping Corporation Limited is deemed to be interested in 86,916,000 H 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. Value Partners Hong Kong Limited is wholly owned by Value Partners Group Limited.

Save as disclosed above, as at 31 December 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.

## DIRECTORS' REPORT

### DEBENTURES IN ISSUE

In order to meet its operation demands, optimize and adjust its debt structure and lower its financing costs, the Company issued the 2016 first tranche of domestic corporate bonds on 16 March 2016 and the 2016 second tranche of domestic corporate bonds on 6 June 2016, details of which are set out in Note 4(30) of the financial statements.

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

Save as otherwise disclosed in this annual report, no rights for any Directors or supervisors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted by the Company or a specified undertaking of the Company (as defined in Companies (Directors' Report) Regulation) to them, or were any such rights exercised by them; or was the Company or a specified undertaking of the Company (as defined in Companies (Directors' Report) Regulation) a party to any arrangement to enable the Directors and supervisors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate for the year ended 31 December 2019.

### EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, the Company did not enter into any equity-linked agreement for the year ended 31 December 2019.

### PERMITTED INDEMNITY PROVISION

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

### PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDER

The controlling Shareholder did not pledge any of its shares in the Company to secure the Company's debts or to secure guarantees or other support of the Company's obligations for the year ended 31 December 2019.

### SHARE OPTION SCHEME

As of 31 December 2019, the Company did not implement any share option scheme.

### SUFFICIENCY OF PUBLIC FLOAT

The Hong Kong Stock Exchange has granted the Company a waiver from compliance with the minimum public float requirement under Rule 8.08(1)(a) of the Hong Kong Listing Rules, and the minimum percentage of the Company's shares from time to time held by the public was reduced to 16.62%. Based on publicly available information and so far as the Directors are aware, as at the date of this annual 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.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Please refer to the chapter of Management Discussion and Analysis in this annual report for details.

## DIRECTORS' REPORT

### PRE-EMPTIVE RIGHTS

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

### EMPLOYEES, REMUNERATION AND PENSION SCHEME

Details of employees, remuneration policy and pension scheme of the Group are set out in Note 4(26) and Note 4(34) to the financial statements.

### CONTINGENT LIABILITIES

Please refer to the chapter of Management Discussion and Analysis in this annual report for details.

### NON-COMPETITION AGREEMENT AND UNDERTAKING

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

The State-owned Assets Supervision & Administration Commission of Qingdao Municipal Government, QDP, the State-owned Assets Supervision & Administration Commission of Weihai Municipal Government, and Weihai Port Group Co., Ltd. entered into the Gratuitous Transfer Agreement of the State-Owned Property Rights, pursuant to which, the State-owned Assets Supervision & Administration Commission of Weihai Municipal Government has gratuitously transferred the 100% equity interests (excluding non-operating assets and the corresponding liabilities) in Weihai Port Group Co., Ltd. held by it to QDP on 9 July 2019. The registration procedures for the above-mentioned gratuitously transfer have been completed on 30 August 2019.

As the principal businesses of Weihai Port Group Co., Ltd. include the stevedoring of cargoes such as container, metal ore, coal and other cargoes and the ancillary services, logistics and port value-added services, port ancillary services, finance lease services and the transport services of shipping lines for passengers and ro-ros, which are similar to the principal businesses of the Company to certain extent, there is horizontal competition in the principal businesses between Weihai Port Group Co., Ltd. and the Company to certain extent. QDP has issued the Undertaking Letter and is committed to solving and avoiding the competition on 9 July 2019. The Company expected there is no material impact on the businesses of the Group resulting from the gratuitous transfer. Please refer to the announcement of the Company dated 9 July 2019 for details.

### CONFIRMATION OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has adopted and complied with all applicable provisions as set out in the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules for the year ended 31 December 2019. For details of compliance with the Corporate Governance Code, please refer to the "Corporate Governance Report".



## DIRECTORS' REPORT

### AUDITORS

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

### CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Summary of the Company's connected persons involved in the connected transactions disclosed below (set out below is the information as of 31 December 2019)

Connected Person	Connected Relationship
QDP	The controlling shareholder of the Company holding approximately 54% of the Company's total issued share capital
COSCO SHIPPING Group	An associate of substantial shareholder of the Company holding approximately 20% of the total issued share capital of the Company indirectly by its subsidiaries
COSCO SHIPPING Ports	An associate of substantial shareholder of the Company and a subsidiary of COSCO SHIPPING Group, holding approximately 18% of the total issued share capital of the Company indirectly by its subsidiaries
Financial Holdings	A wholly-owned subsidiary of QDP, the controlling shareholder of the Company
Qingdao Finance	A connected subsidiary of the Company which is held as to 70% equity interests by the Company and the remaining 30% equity interests by QDP
Qingdao OST	A connected subsidiary of the Company which is held as to 84% equity interests by the Company and the remaining 16% equity interests by China Ocean Shipping Tally Company, a subsidiary of COSCO SHIPPING Group
Qingdao Lianhai	Qingdao Port Lianhai International Logistics Co., Ltd, the Company and COSCO SHIPPING Group each holds 50% equity interests of it

### CONNECTED TRANSACTIONS

The Group has conducted a non-exempt connected transaction during the year ended 31 December 2019.

#### (A) Acquired 33.335% equity interests in COSCO SHIPPING Ports (Abu Dhabi) Limited from COSCO SHIPPING Ports

On 26 November 2019, Qingdao Port International Development (Hong Kong) Co., Ltd., a wholly-owned subsidiary of the Company, entered into a share transfer agreement with COSCO SHIPPING Ports and COSCO SHIPPING Ports (Abu Dhabi) Limited. Pursuant to which, COSCO SHIPPING Ports has agreed to transfer and Qingdao Port International Development (Hong Kong) Co., Ltd. has agreed to purchase 6,667 shares of COSCO SHIPPING Ports (Abu Dhabi) Limited at a consideration of US\$59,276,030, representing its 33.335% equity interests. As at 31 December 2019, Qingdao Port International Development (Hong Kong) Co., Ltd. had not made the payment for equity acquisition.

The acquisition of 33.335% equity interests in COSCO SHIPPING Ports (Abu Dhabi) Limited from COSCO SHIPPING Ports has been approved by the Board. Details of the connected transaction has been published in the Company's announcement dated 26 November 2019.

## CONTINUING CONNECTED TRANSACTIONS

Unless otherwise defined, the terms used below have the same meanings as defined in the relevant announcements.

### (A) CONTINUING CONNECTED TRANSACTIONS WITH QDP

#### i. Asset Lease Framework Agreement

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

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

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

Upon the consideration and approval of the Board, the original annual cap for continuing connected transactions under the General Goods and Services Framework Agreement I for the year ended 31 December 2019 was adjusted. For details of the above annual cap adjustment, please refer to the announcement of the Company dated 28 March 2019.

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

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

#### iv. Comprehensive Financing Services Framework Agreement

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

## DIRECTORS' REPORT

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

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

Upon the consideration and approval of the Board, the original annual caps for continuing connected transactions under the Financial Services Framework Agreement for the year ended 31 December 2019 have been adjusted. For details of the above annual cap adjustments, please refer to the Company's announcement dated 28 March 2019, circular of the 2018 annual general meeting issued on 23 April 2019, and the poll results of 2018 annual general meeting published on 17 May 2019.

### (C) CONTINUING CONNECTED TRANSACTIONS WITH COSCO SHIPPING GROUP

#### i. Asset Lease Framework Agreement

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

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

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

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

Upon the consideration and approval of the Board, the original annual caps for the year ended 31 December 2019 of continuing connected transactions under the General Goods and Services Framework Agreement I have been adjusted. For details of the above annual cap adjustments, please refer to the Company's announcement dated 28 March 2019, circular of the 2018 annual general meeting issued on 23 April 2019, and the poll results of 2018 annual general Meeting published on 17 May 2019.

## DIRECTORS' REPORT

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

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

Upon the consideration and approval of the Board, the original annual cap of the continuing connected transactions under the General Goods and Services Framework Agreement II for the year ended 31 December 2019 has been adjusted. For details of the above annual cap adjustment, please refer to the announcements of the Company dated 3 April 2019 and 22 April 2019.

### (D) CONTINUING CONNECTED TRANSACTIONS WITH QINGDAO OST

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

Annual caps and actual transactions amounts for the above continuing connected transactions for the year 2019 are as follows:

		Unit: RMB' 000	
		Annual cap for 2019	Amount incurred in 2019
A.	Continuing connected transactions with QDP		
i	Asset Lease Framework Agreement	160,000	94,816
ii	General Goods and Services Framework Agreement I	578,000	384,577
iii	General Goods and Services Framework Agreement II	80,000	67,972
iv	Comprehensive Financing Services Framework Agreement		
	Daily maximum outstanding balance of finance lease services received by the Group from QDP	2,100,000	1,175,726
	Rental expenses of finance lease services received by the Group from QDP	100,000	57,125
	Daily maximum outstanding balance of commercial factoring services received by the Group from QDP	1,000,000	172,635
	Interests expenses of commercial factoring services received by the Group from QDP	40,000	2,881
	Expenses under the intermediary services of commercial factoring services received by the Group from QDP	5,000	0
	Daily maximum outstanding balance of small loan services received by the Group from QDP	200,000	0
	Interests expenses of small loan services received by the Group from QDP	10,000	0

## DIRECTORS' REPORT

	<b>Annual cap for 2019</b>	<b>Amount incurred in 2019</b>
B. Continuing connected transactions with Qingdao Finance		
i Daily maximum balance deposited by the Group in Qingdao Finance (including accrued interest and commission fee)	<b>20,000,000</b>	<b>10,998,936</b>
ii Daily maximum outstanding balance of the loans provided by Qingdao Finance to QDP and/or its associates (including accrued interest and commission fee)	<b>3,600,000</b>	<b>1,821,484</b>
C. Continuing connected transactions with COSCO SHIPPING Group		
i Asset Lease Framework Agreement	<b>60,000</b>	<b>36,296</b>
ii General Goods and Services Framework Agreement I Including stevedoring services	<b>380,000</b>	<b>272,508</b>
logistics services	<b>410,000</b>	<b>317,552</b>
port ancillary services	<b>40,000</b>	<b>23,332</b>
Total	<b>830,000</b>	<b>613,392</b>
iii General Goods and Services Framework Agreement II	<b>390,000</b>	<b>230,183</b>
D. Continuing connected transactions with Qingdao OST		
General Goods and Services Framework Agreement III	<b>60,200</b>	<b>35,515</b>

In 2019, the Company newly signed and reviewed continuing connected transactions agreements with a validity period from 1 January 2020 to 31 December 2022. The Company will disclose details of the continuing connected transactions in accordance with the requirements of the Hong Kong Listing Rules.

- i. On 28 March 2019, the Company entered into the 2020 QDP Goods and Service Agreement with QDP in relation to the comprehensive goods and services provided by the Group to QDP and/or its subsidiaries and associates, including sales of goods and services, purchase of goods and services, and asset lease and the annual caps for the transactions contemplated thereunder for three years ending 31 December 2022. For details, please refer to the announcement of the Company dated 28 March 2019.
- ii. On 28 March 2019, the Company entered into the 2020 QDP Financial Services Agreement with QDP in relation to the financial services provided by QDP and/or its subsidiaries and associates to the Group, including entrusted loan service, financial leasing service, commercial factoring service, micro loan service, financing guarantee service and the annual caps for the transactions contemplated thereunder for three years ending 31 December 2022. For details, please refer to the announcement dated 28 March 2019, the circular of 2018 annual general meeting issued on 23 April 2019 and the poll results of 2018 annual general meeting published on 17 May 2019.



**DIRECTORS' REPORT**

- iii. On 28 March 2019, the Company entered into the 2020 Financial Services Agreement I with Qingdao Finance in relation to the financial services provided by Qingdao Finance to the Group, including deposit services, credit services and intermediate business services and the annual caps for the transactions contemplated thereunder for three years ending 31 December 2022. For details, please refer to the announcement of the Company dated 28 March 2019, the circular of 2018 annual general meeting issued on 23 April 2019 and the poll results of 2018 annual general meeting published on 17 May 2019.
- iv. On 28 March 2019, the Qingdao Finance entered into the 2020 Financial Services Agreement II with QDP in relation to the financial services provided by Qingdao Finance to QDP and/or its subsidiaries and associates, including deposit services, credit services and intermediate business services and the annual caps for the transactions contemplated thereunder for three years ending 31 December 2022. For details, please refer to the announcement of the Company dated 28 March 2019, the circular of 2018 annual general meeting issued on 23 April 2019 and the poll results of 2018 annual general meeting published on 17 May 2019.
- v. On 28 March 2019, the Company entered into the 2020 COSCO SHIPPING Goods and Services Agreement with COSCO SHIPPING Group in relation the comprehensive goods and services provided by the Group to COSCO SHIPPING Group and/or its subsidiaries and associates, including sales of products and services, purchase of goods and services, and asset lease and the annual caps for the transactions contemplated thereunder for three years ending 31 December 2022. For details, please refer to the announcement of the Company dated 28 March 2019, the circular of 2018 annual general meeting issued on 23 April 2019 and the poll results of 2018 Annual General Meeting published on 17 May 2019.
- vi. On 28 March 2019, the Company entered into the 2020 Qingdao OST Goods and Services Agreement with Qingdao OST in relation the comprehensive goods and services provided by the Group to Qingdao OST and/or its subsidiaries and associates, including sales of goods and services, purchase of products and services and the annual caps for the transactions contemplated thereunder for three years ending 31 December 2022. For details, please refer to the announcement of the Company dated 28 March 2019.
- vii. On 28 March 2019, Qingdao Finance entered into the 2020 Qingdao Lianhai Financial Services Agreement with Qingdao Lianhai in relation to the credit services provided by Qingdao Finance to the Qingdao Lianhai and the annual caps for the transactions contemplated thereunder for three years ending 31 December 2022. For details, please refer to the announcement dated 28 March 2019.

## DIRECTORS' REPORT

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

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

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

### (F) CONFIRMATION FROM THE AUDITOR

The auditor of the Company has been engaged to report on the continuing connected transactions of the Company as set out on pages 69 to 73 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Hong Kong Listing Rules. The Company has provided a copy of the auditor's assurance report to the Hong Kong Stock Exchange.

### (G) OTHERS

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

For certain material related party transactions disclosed in Note 8 to the financial statements which also constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules, the Company had made disclosure as required under the Hong Kong Listing Rules.

## DESCRIPTION OF OTHER MATTERS

Please refer to the chapter of Management Discussion and Analysis in this annual report for details.

## DIRECTORS' REPORT

### COMPLIANCE WITH LAWS AND REGULATIONS

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

### RELATIONSHIP WITH STAKEHOLDERS

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

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

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

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

By order of the Board

**LI Fengli**  
*Chairman*

Qingdao, the PRC  
26 March 2020

## SUPERVISORS' REPORT

In 2019, the Supervisory Committee maintained the interests of the Company and its shareholders by actively undertaking its responsibilities and supervising the compliant operation and connected transactions of the Company in accordance with laws, regulations and regulation requirements including the Company Law of the PRC, the Securities Law of the PRC, and rules including the Articles of Association, and the Rules of Procedural for the Supervisory Committee of Qingdao Port International Co., Ltd., and the rights conferred by the general meeting of shareholders.

### I. MEETINGS HELD BY THE SUPERVISORY COMMITTEE

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

- (i) On 29 January 2019, the Supervisory Committee held the thirteenth meeting of the second session of the Supervisory Committee to consider and approve two resolutions, including Resolution on using the raised funds to replace self-financing that have been previously invested in fund-raising projects, and Resolution on using idle raised funds for cash management.
- (ii) On 28 March 2019, the Supervisory Committee held the fourteenth meeting of the second session of the Supervisory Committee to consider and approve fourteen resolutions, including Resolution on the Annual Report for 2018 of Qingdao Port International Co., Ltd., Resolution on the Financial Statements for 2018 of Qingdao Port International Co., Ltd., Resolution on the Sustainability Report for 2018 of Qingdao Port International Co., Ltd., Resolution on the Profit distribution plan for 2017 and 2018 of Qingdao Port International Co., Ltd., Resolution on the Work Report of the Supervisory Committee of Qingdao Port International Co., Ltd. for the year of 2018, Resolution on the Remuneration Plan of 2018 for Supervisors of Qingdao Port International Co., Ltd., Resolution on the Candidates for non-employee representative supervisors of the third session of Supervisory Committee, Resolution on the connected transactions between Qingdao Port International Co., Ltd. and Qingdao Port Finance Co., Ltd., Resolution on the related transactions between Qingdao Port Finance Co., Ltd. and Qingdao Port (Group) Co., Ltd., Resolution on the related transactions between Qingdao Port Finance Co., Ltd. and related parties, Resolution on the related transactions between Qingdao Port Finance Co., Ltd. and two companies, including Qingdao Port Lianhai International Logistics Co., Ltd. and Qingdao Donggang International Container Storage and Transportation Co., Ltd., Resolution on the related transactions between Qingdao Port International Co., Ltd. and Qingdao Port (Group) Co., Ltd., Resolution on the related transactions between Qingdao Port International Co., Ltd. and China Ocean Shipping Group Co., Ltd., Resolution on the connected transactions between Qingdao Port International Co., Ltd. and Qingdao Ocean Shipping Tally Co., Ltd.
- (iii) On 29 April 2019, the Supervisory Committee held the fifteenth meeting of the second session of the Supervisory Committee to consider and approve the Resolution on the first quarterly report of Qingdao Port International Co., Ltd..
- (iv) On 17 May 2019, the Supervisory Committee held the first meeting of the third session of the Supervisory Committee to consider and approve the Resolution on the Election of the Chairman of the Third Session of the Supervisory Committee of Qingdao Port International Co., Ltd.
- (v) On 28 August 2019, the Supervisory Committee held the second meeting of the third session of the Supervisory Committee to consider and approve two resolutions, including the Resolution on the Interim Report for 2019 of Qingdao Port International Co., Ltd., and Resolution on the Special Report on the storage and actual use of raised funds in the first half of 2019 of Qingdao Port International Co., Ltd.
- (vi) On 29 October 2019, the Supervisory Committee held the third meeting of the third session of the Supervisory Committee to consider and approve the Resolution on the third quarterly report of Qingdao Port International Co., Ltd..

## SUPERVISORS' REPORT

### II. INDEPENDENT ADVICE OF SUPERVISORY COMMITTEE ON RELEVANT ISSUES

#### (1) Compliance Operation

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

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

The Supervisory Committee has been supervised the financial condition of the Company for the year of 2019 effectively and is of the view that the Company has a sound financial system, standardized management and a good financial condition. PricewaterhouseCoopers Zhong Tian LLP, the auditor of the Company, has audited the financial statements of the Company in accordance with Chinese Accounting Standards for Business Enterprises. The Supervisory Committee has reviewed the 2019 audit report and financial statement report and believes that these reports have fairly and truly reflected the financial and operating conditions of the Company.

#### (3) Use of Proceeds Raised

During the reporting period, the use of all proceeds strictly complied with the requirements of the H Share Prospectus, the A Share Prospectus, the Company's announcements and the Company's related governance systems. The procedures for using funds are in compliance with regulations, and there is no illegal use of raised funds. The Company's replacement and decision-making procedures of raised funds are in compliance with relevant regulations. There is no conflict with the implementation plan of the investment projects with raised funds. It does not affect the scheduled progress of the investment projects with raised funds. There is no change or disguise to change the direction of the raised funds and undermine the interests of shareholders. Under the premise of not affecting the construction of the investment projects and the scheduled operation of the business, the Company has used the idle raised funds to appropriately purchase wealth management products with high safety, good liquidity, guaranteed capital with a term of not more than 12 months. This is conducive to improving the efficiency of the use of funds and to gaining more investment returns for the Company and shareholders.

#### (4) Connected Transactions and Related-Party Transactions

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

#### (5) Review of Periodic Reports

During the reporting period, the preparation and review procedures of the Company's periodic reports are in compliance with laws, regulations, the Articles of Association and the provisions of the Company's internal management policy. The content and format of the periodic reports are in accordance with the requirements of the China Securities Regulatory Commission and the Shanghai Stock Exchange. There is no false record, misleading statement or material omission in these periodic reports. No personnel involved in the preparation and review of the annual report were found to have violated confidentiality agreement before the Supervisory Committee reviewed the annual report.



## SUPERVISORS' REPORT

### III. OUTLOOK AND PROSPECT FOR 2020

In 2020, the Supervisory Committee will continue to seriously fulfill their responsibilities in accordance with relevant laws and regulations, the Articles of Association, and the Rules of Procedural for the Supervisory Committee to further enhance the Company's compliant operation.

#### (1) Undertake responsibilities in accordance with laws

The Supervisory Committee will continue to urge the Company to continuously improve the corporate governance structure in accordance with the requirements of the modern enterprise system and further improve the corporate governance level. At the same time, we will urge directors and senior management to perform their duties diligently, complete their work conscientiously, make more standardized business decisions, and effectively safeguard the legitimate rights and interests of the Company and shareholders.

#### (2) Strengthen supervision and inspection

By communicating with the management and reviewing regular reports, the Supervisory Committee will keep track of the Company's operations, and supervise the Company's financial operations. The Supervisory Committee will comprehensively monitor the use of funds raised by the Company, connected transactions and major foreign investment to promote the Company's healthy and sustainable development.

#### (3) Strengthen learning and improve supervision capabilities

The Supervisory Committee will continue to strengthen the study of laws and regulations, broaden professional knowledge and improve business levels, improve supervision methods, and enhance supervision capabilities and levels.

In 2020, the Supervisory Committee will continuously improve its working abilities, enhance its responsibilities and awareness of self-discipline business skills, carefully fulfill its duties and strengthen the supervision to fulfill its responsibilities to protect the interests of the Company and the shareholders of the Company, and jointly promote the healthy, stable and sustainable development of the Company together with the Board and all the shareholders of the Company, pursuant to the Company Law of the PRC.

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

Qingdao, the PRC  
26 March 2020

# CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report for the annual report of the Company for the year ended 31 December 2019 (the “Reporting Period”).

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

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

## I. THE BOARD

### 1. Composition of the Board

The Board currently comprises six Directors, including three non-executive Directors and three independent non-executive Directors. During the Reporting Period, members of the Board of the Company are listed as below:

Member of the Board	Position	Date of appointment/ re-designation
Mr. LI Fengli (李奉利) (Note 1)	Chairman, executive Director	17 May 2019
	Chairman, non-executive Director	10 January 2020
Mr. ZHENG Minghui (鄭明輝) (Note 2)	Chairman, executive Director	6 June 2016
Mr. JIAO Guangjun (焦廣軍) (Note 3)	Vice Chairman, non-executive Director	17 May 2019
Mr. ZHANG Wei (張為)	Non-executive Director	17 May 2019
Mr. ZHANG Jiangnan (張江南) (Note 4)	Executive Director, president	17 May 2019
	Non-executive Director	10 January 2020
Mr. CHU Xiaozhong (褚效忠)	Non-executive Director	17 May 2019
Ms. JIANG Chunfeng (姜春鳳) (Note 5)	Executive Director, vice president, Chief Financial Officer	17 May 2019
	Non-executive Director	10 January 2020
Ms. LI Yan (李燕)	Independent non-executive Director	17 May 2019
Mr. JIANG Min (蔣敏)	Independent non-executive Director	17 May 2019
Mr. LAI Kwok Ho (黎國浩)	Independent non-executive Director	17 May 2019
Mr. WANG Yaping (王亞平) (Note 6)	Independent non-executive Director	6 June 2016
Mr. CHAU Kwok Keung (鄒國強) (Note 7)	Independent non-executive Director	6 June 2016
Mr. YANG Qiulin (楊秋林) (Note 8)	Independent non-executive Director	6 June 2016

Note 1: Mr. LI Fengli (李奉利) was appointed as the executive Director and chairman of the Board on 17 May 2019, was re-designated from an executive Director to a non-executive Director of the Company due to the adjustment of work arrangements on 10 January 2020 and resigned as non-executive Director, the chairman of the Board due to the adjustment of work arrangements on 26 March 2020. Mr. LI Fengli will continue to serve in positions such as non-executive Director, the chairman of the Board until the 2019 AGM and his resignation will take effect upon the election of new Directors at the 2019 AGM.

Note 2: Mr. ZHENG Minghui (鄭明輝) resigned as the Chairman and executive Director of the Company on 29 January 2019 due to his age.

## CORPORATE GOVERNANCE REPORT

- Note 3: Mr. JIAO Guangjun (焦廣軍) resigned as the Vice Chairman and non-executive Director of the Company on 10 January 2020 due to the adjustment of work arrangements.
- Note 4: Mr. ZHANG Jiangnan (張江南) resigned as the president and re-designated from an executive Director to a non-executive Director of the Company on 10 January 2020 due to the adjustment of work arrangements, and resigned as non-executive Director of the Company on 26 March 2020 due to the adjustment of work arrangements.
- Note 5: Ms. JIANG Chunfeng (姜春鳳) resigned as the vice president and chief financial officer and re-designated from an executive Director to a non-executive Director of the Company on 10 January 2020 due to the adjustment of work arrangements, and resigned as non-executive Director of the Company on 26 March 2020 due to the adjustment of work arrangements.
- Note 6: Mr. WANG Yaping (王亞平) resigned as an independent non-executive Director of the Company on 17 May 2019 due to the expiry of his term of office as a Director.
- Note 7: Mr. CHAU Kwok Keung (鄒國強) resigned as an independent non-executive Director of the Company on 17 May 2019 due to the expiry of his term of office as a Director.
- Note 8: Mr. YANG Qiulin (楊秋林) resigned as an independent non-executive Director of the Company on 17 May 2019 due to the expiry of his term of office as a Director.

The Directors are elected by the general meeting of the Company and will hold offices until the annual general meeting for the year 2021 to be held in 2022. The Directors are subject to re-election for re-appointment when their terms of office as Directors expire.

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

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

### **Chairman and President**

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

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

## CORPORATE GOVERNANCE REPORT

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

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

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

### **Independent Non-executive Directors**

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

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

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

The Company has adopted the Model Code as the code of conduct for the Directors and Supervisors to conduct securities transactions. After making specific enquiries to all Directors and Supervisors, all Directors and Supervisors confirmed that they had fully complied with the required standards set out in the Model Code during the period from 1 January 2019 or their respective appointment dates to 31 December 2019.

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

On 17 May 2019, all the Directors, Supervisors and senior management of the Company received trainings provided by the Company's Hong Kong legal adviser, Freshfields Bruckhaus Deringer and Chinese legal adviser, Beijing Jia Yuan Law Office. The trainings mainly focused on "the continuing obligations and responsibilities of directors, supervisors and senior management personnel of listed companies in Hong Kong" and "performance requirements and related legal responsibilities of directors, supervisors and senior management of listed companies on the Shanghai Stock Exchange".

## CORPORATE GOVERNANCE REPORT

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

The Directors has got continuing professional development through participating in specific trainings, seminars, forums and reading publications on economy and securities to update their knowledge and technique, which enables them to make continuous contributions to the Company with comprehensive knowledge and technique.

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

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

### Directors' Responsibility on Financial Statements

The Directors are responsible for the preparation of the financial statements for the year ended 31 December 2019, which gives a true and fair view of the affairs of the Company and the Group and the results and cash flow of the Group.

## 2. Board Meetings and General Meetings

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

Name of Directors	Number of Board Meetings Attended		Number of General Meeting(s) Attended	
	During the Tenure	Attendance Rate	During the Tenure	Attendance Rate
Mr. LI Fengli (李奉利) (Note 1)	3/3	100%	1/1	100%
Mr. ZHENG Minghui (鄭明輝) (Note 2)	0/0	Not applicable	0/0	Not applicable
Mr. JIAO Guangjun (焦廣軍)	6/6	100%	1/1	100%
Mr. ZHANG Wei (張為)	6/6	100%	1/1	100%
Mr. ZHANG Jiangnan (張江南)	6/6	100%	1/1	100%
Mr. CHU Xiaozhong (褚效忠)	6/6	100%	1/1	100%
Ms. JIANG Chunfeng (姜春鳳)	6/6	100%	1/1	100%
Ms. LI Yan (李燕) (Note 3)	3/3	100%	0/0	Not applicable
Mr. JIANG Min (蔣敏) (Note 4)	3/3	100%	0/0	Not applicable
Mr. LAI Kwok Ho (黎國浩) (Note 5)	3/3	100%	0/0	Not applicable
Mr. WANG Yaping (王亞平) (Note 6)	3/3	100%	1/1	100%
Mr. Chau Kwok Keung (鄒國強) (Note 7)	3/3	100%	1/1	100%
Mr. YANG Qiulin (楊秋林) (Note 8)	3/3	100%	1/1	100%



## CORPORATE GOVERNANCE REPORT

- Note 1: Mr. LI Fengli (李奉利) was appointed on 17 May 2019. The Company held three on-site Board meetings and held no general meeting from the date of his appointment up to 31 December 2019. Mr. LI Fengli was present at the general meeting as a representative of shareholders.
- Note 2: Mr. ZHENG Minghui (鄭明輝) resigned on 29 January 2019. The Company did not hold any on-site Board meetings or general meetings from 1 January 2019 to the date of his resignation.
- Note 3: Ms. LI Yan (李燕) was appointed on 17 May 2019. The Company held three on-site Board meetings and held no general meeting from the date of her appointment up to 31 December 2019.
- Note 4: Mr. JIANG Min (蔣敏) was appointed on 17 May 2019. The Company held three on-site Board meetings and held no general meeting from the date of his appointment up to 31 December 2019.
- Note 5: Mr. LAI Kwok Ho (黎國浩) was appointed on 17 May 2019. The Company held three on-site Board meetings and held no general meeting from the date of his appointment up to 31 December 2019.
- Note 6: Mr. WANG Yaping (王亞平) resigned on 17 May 2019. The Company held three on-site Board meetings and one general meeting from 1 January 2019 to the date of his resignation.
- Note 7: Mr. Chau Kwok Keung (鄒國強) resigned on 17 May 2019. The Company held three on-site Board meetings and one general meeting from 1 January 2019 to the date of his resignation.
- Note 8: Mr. YANG Qiulin (楊秋林) resigned on 17 May 2019. The Company held three on-site Board meetings and one general meeting from 1 January 2019 to the date of his resignation.

Notices for all regular Board meeting, the agenda and the relevant papers have been given to each Director at least fourteen days before the meetings in order that they are able to attend the meetings and have sufficient time to review the papers. Minutes of each Board meeting are circulated to all Directors for perusal. Directors who have conflicts of interest in the Board resolutions have abstained from voting.

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

## CORPORATE GOVERNANCE REPORT

### II. SPECIAL COMMITTEES OF BOARD

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

#### 1. Strategy and Development Committee

The Strategy and Development Committee currently consists of four Directors, namely Mr. LI Fengli (李奉利), Mr. ZHANG Wei (張為), Mr. CHU Xiaozhong (褚效忠) and Mr. JIANG Min (蔣敏).

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

During the Reporting Period, the Strategy and Development Committee held one on-site meeting, in which resolutions regarding general mandate to issue shares, general mandate to issue the debt financing instruments, and business plan for 2019 were considered and approved and recommendations were made to the Board.

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

Name of Members	Number of Meeting(s) Attended During the Tenure	Attendance Rate
Mr. LI Fengli (李奉利) (Chairman) (Note 1)	0/0	Not applicable
Mr. ZHENG Minghui (鄭明輝) (Note 2)	0/0	Not applicable
Mr. JIAO Guangjun (焦廣軍)	1/1	100%
Mr. ZHANG Wei (張為)	1/1	100%
Mr. ZHANG Jiangnan (張江南)	1/1	100%
Mr. CHU Xiaozhong (褚效忠)	1/1	100%
Ms. JIANG Chunfeng (姜春鳳)	1/1	100%
Mr. JIANG Min (蔣敏) (Note 3)	0/0	Not applicable
Mr. WANG Yaping (王亞平) (Note 4)	1/1	100%

Note 1: Mr. LI Fengli (李奉利) was appointed on 17 May 2019. The Company did not hold any on-site meetings of the Strategy and Development Committee of the Board from the date of his appointment up to 31 December 2019.

Note 2: Mr. ZHENG Minghui (鄭明輝) resigned on 29 January 2019. The Company did not hold any on-site meetings of the Strategy and Development Committee of the Board from 1 January 2019 to the date of his resignation.

Note 3: Mr. JIANG Min (蔣敏) was appointed on 17 May 2019. The Company did not hold any on-site meetings of the Strategy and Development Committee of the Board from the date of his appointment up to 31 December 2019.

Note 4: Mr. WANG Yaping (王亞平) resigned on 17 May 2019. The Company held one on-site meeting of the Strategy and Development Committee of the Board from 1 January 2019 to the date of his resignation.

## CORPORATE GOVERNANCE REPORT

### 2. Audit Committee

The Audit Committee currently consists of three Directors, namely Ms. LI Yan (李燕), Mr. CHU Xiaozhong (褚效忠) and Mr. LAI Kwok Ho (黎國浩), of which Ms. LI Yan (李燕) and Mr. LAI Kwok Ho (黎國浩) are both independent non-executive Directors. Ms. LI Yan (李燕) and Mr. LAI Kwok Ho (黎國浩) hold the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Hong Kong Listing Rules. Ms. LI Yan (李燕) serves as the chairman of the Audit Committee.

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

During the Reporting Period, the Audit Committee held five on-site meetings to consider and approve the resolutions, including Resolution on the Company's 2018 annual results announcement, Resolution on 2018 annual report, Resolution on 2018 audited financial statements, Resolution on 2019 interim results announcement, Resolution on 2019 interim report, Resolution on appointment of the Company's 2019 accounting firm and fixing of its remuneration and Resolution on continuing connected transactions and make recommendations to the board of directors. At the same time, the Audit Committee communicated with the external auditors on the 2018 audit results and the 2019 audit plan and other matters, and heard the internal audit report made by the head of the internal audit department.

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

Name of Members	Number of Meetings Attended During the Tenure	Attendance Rate
Ms. LI Yan (李燕) (Chairman) (Note 1)	2/2	100%
Mr. CHU Xiaozhong (褚效忠)	5/5	100%
Mr. LAI Kwok Ho (黎國浩) (Note 2)	2/2	100%
Mr. CHAU Kwok Keung (鄒國強) (Note 3)	3/3	100%
Mr. YANG Qiulin (楊秋林) (Note 4)	3/3	100%

Note 1: Ms. LI Yan (李燕) was appointed on 17 May 2019. The Company held two on-site meetings of the Audit Committee of the Board from the date of her appointment up to 31 December 2019.

Note 2: Mr. LAI Kwok Ho (黎國浩) was appointed on 17 May 2019. The Company held two on-site meetings of the Audit Committee of the Board from the date of his appointment up to 31 December 2019.

Note 3: Mr. CHAU Kwok Keung (鄒國強) resigned on 17 May 2019. The Company held three on-site meetings of the Audit Committee of the Board from 1 January 2019 to the date of his resignation.

Note 4: Mr. YANG Qiulin (楊秋林) resigned on 17 May 2019. The Company held three on-site meetings of the Audit Committee of the Board from 1 January 2019 to the date of his resignation.

## CORPORATE GOVERNANCE REPORT

### 3. Remuneration Committee

The Remuneration Committee consists of three Directors, namely Mr. LAI Kwok Ho (黎國浩), Mr. LI Fengli (李奉利) and Ms. LI Yan (李燕), of which Mr. LAI Kwok Ho (黎國浩) and Ms. LI Yan (李燕) are both independent non-executive Directors. Mr. LAI Kwok Ho (黎國浩) serves as the chairman of the Remuneration Committee.

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

During the Reporting Period, the Remuneration Committee held one on-site meeting to consider and approve the resolution on Remuneration of directors and senior management of the Company for 2019.

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

Name of Members	Number of Meeting(s) Attended During the Tenure	Attendance Rate
Mr. LAI Kwok Ho (黎國浩) (Chairman) (Note 1)	0/0	Not applicable
Mr. LI Fengli (李奉利) (Note 2)	0/0	Not applicable
Mr. JIAO Guangjun (焦廣軍) (Note 3)	1/1	100%
Ms. LI Yan (李燕) (Note 4)	0/0	Not applicable
Mr. YANG Qiulin (楊秋林) (Note 5)	1/1	100%
Mr. WANG Yaping (王亞平) (Note 6)	1/1	100%

Note 1: Mr. LAI Kwok Ho (黎國浩) was appointed on 17 May 2019. The Company did not hold any on-site meetings of the Remuneration Committee of the Board from the date of his appointment up to 31 December 2019.

Note 2: Mr. LI Fengli (李奉利) was appointed on 10 January 2020.

Note 3: Mr. JIAO Guangjun (焦廣軍) resigned as the member of the Remuneration Committee of the Board on 10 January 2020 due to the adjustment of work arrangements.

Note 4: Ms. LI Yan (李燕) was appointed on 17 May 2019. The Company did not hold any on-site meetings of the Remuneration Committee of the Board from the date of her appointment up to 31 December 2019.

Note 5: Mr. YANG Qiulin (楊秋林) resigned on 17 May 2019. The Company held one on-site meeting of the Remuneration Committee of the Board from 1 January 2019 to the date of his resignation.

Note 6: Mr. WANG Yaping (王亞平) resigned on 17 May 2019. The Company held one on-site meeting of the Remuneration Committee of the Board from 1 January 2019 to the date of his resignation.

## CORPORATE GOVERNANCE REPORT

Pursuant to the code B.1.5 of the Corporate Governance Code under in Appendix 14 of the Hong Kong Listing Rules, the following table sets forth the remuneration of the Directors, Supervisors and members of senior management categorized by remuneration group for the year ended 31 December 2019:

Group (Note)	Remuneration (RMB)	Number of Individuals
1	0-500,000	14
2	500,001-1,000,000	1
3	1,000,001-2,000,000	7

Note:

Group 1 includes 10 Directors and 6 Supervisors of the Company, among which 2 Directors resigned during the reporting period and was appointed as Supervisors.

Group 2 includes 1 Supervisor of the Company.

Group 3 includes 3 Directors, 1 Supervisor and 5 senior management of the Company, among which 2 Directors also served as senior management of the Company during the reporting period.

Further details of the Directors' emoluments and the top five highest paid employees required to be disclosed under Appendix 16 to the Hong Kong Listing Rules are set out in Note 8(9) and Note 8(10) to the financial statements for the year.

#### 4. Nomination Committee

The Nomination Committee consists of three Directors, namely Mr. JIANG Min (蔣敏), Mr. LI Fengli (李奉利) and Mr. LAI Kwok Ho (黎國浩), of which Mr. JIANG Min (蔣敏) and Mr. LAI Kwok Ho (黎國浩) are both independent non-executive Directors. Mr. JIANG Min (蔣敏) serves as the chairman of the Nomination Committee.

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

During the Reporting Period, the Nomination Committee held two on-site meetings, in which the nomination of Directors, adding Nominating Committee members and nominating senior management candidates were reviewed and approved, and recommendations were made to the Board.



## CORPORATE GOVERNANCE REPORT

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

Name of Members	Number of Meeting(s) Attended During the Tenure	Attendance Rate
Mr. JIANG Min (蔣敏) (Chairman) (Note 1)	0/0	Not applicable
Mr. LI Fengli (李奉利) (Note 2)	0/0	Not applicable
Mr. ZHENG Minghui (鄭明輝) (Note 3)	0/0	Not applicable
Mr. JIAO Guangjun (焦廣軍) (Note 4)	1/1	100%
Mr. LAI Kwok Ho (黎國浩) (Note 5)	0/0	Not applicable
Mr. WANG Yaping (王亞平) (Note 6)	2/2	100%
Mr. YANG Qiulin (楊秋林) (Note 7)	2/2	100%

Note 1: Mr. JIANG Min (蔣敏) was appointed on 17 May 2019. The Company did not hold any on-site meetings of the Nomination Committee of the Board from the date of his appointment up to 31 December 2019.

Note 2: Mr. LI Fengli (李奉利) was appointed on 17 May 2019. The Company did not hold any on-site meetings of the Nomination Committee of the Board from the date of his appointment up to 31 December 2019.

Note 3: Mr. ZHENG Minghui (鄭明輝) resigned on 29 January 2019. The Company did not hold any on-site meetings of the Nomination Committee of the Board from the 1 January 2019 to the date of his resignation.

Note 4: Mr. JIAO Guangjun (焦廣軍) served as the member of Nomination Committee from 29 January 2019 to 17 May 2019. The Company held two on-site meetings of the Nomination Committee of the Board during the aforesaid period. In particular, Mr. JIAO Guangjun sat in the meeting of the Nomination Committee of the Board held on 29 January 2019 and was present at the meeting of the Nomination Committee of the Board held on 28 March 2019.

Note 5: Mr. LAI Kwok Ho (黎國浩) was appointed on 17 May 2019. The Company did not hold any on-site meetings of the Nomination Committee of the Board from the date of his appointment up to 31 December 2019.

Note 6: Mr. WANG Yaping (王亞平) resigned on 17 May 2019. The Company held two on-site meetings of the Nomination Committee of the Board from 1 January 2019 to the date of his resignation.

Note 7: Mr. YANG Qiulin (楊秋林) resigned on 17 May 2019. The Company held two on-site meetings of the Nomination Committee of the Board from 1 January 2019 to the date of his resignation.

The Board formulated and adopted the Board Diversity Policy. In designing the Board's composition, the Nomination Committee has considered Board diversity from a number of aspects, including but not limited to gender, age, cultural and educational background, race, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. For the year ended 31 December 2019, the Board has met the expected goal of the Board Diversity Policy and kept an appropriate balance of member structure.

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

## CORPORATE GOVERNANCE REPORT

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

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

### III. SUPERVISORY COMMITTEE

The Supervisory Committee currently consists of five Supervisors, including one shareholder representative Supervisor, two employee representative Supervisors and two independent Supervisors. The members of the Supervisory Committee of the Company are listed below:

Member of the Supervisory Committee	Position	Date of appointment
Mr. ZHANG Qingcai (張慶財)	Chairman of the Supervisory Committee, Shareholder representative Supervisor	17 May 2019
Mr. LI Wucheng (李武成) (Note 1)	Shareholder representative Supervisor	17 May 2019
Mr. WANG Yaping (王亞平) (Note 2)	Independent Supervisor	17 May 2019
Mr. YANG Qiulin (楊秋林) (Note 3)	Independent Supervisor	17 May 2019
Mr. LI Xuxiu (李旭修) (Note 4)	Independent Supervisor	6 June 2016
Mr. LIU Dengqing (劉登清) (Note 5)	Independent Supervisor	6 June 2016
Mr. LIU Shuiguo (劉水國)	Employee representative Supervisor	17 May 2019
Ms. WANG Xiaoyan (王曉燕)	Employee representative Supervisor	17 May 2019

Note 1: LI Wucheng (李武成) resigned as the Shareholder representative Supervisor of the Company due to the adjustment of work arrangements on 26 March 2020.

Note 2: Mr. WANG Yaping (王亞平) was appointed as the Independent Supervisor of the Company on 17 May 2019.

Note 3: Mr. YANG Qiulin (楊秋林) was appointed as the Independent Supervisor of the Company on 17 May 2019.

Note 4: Mr. LI Xuxiu (李旭修) resigned as the Independent Supervisor of the Company on 17 May 2019.

Note 5: Mr. LIU Dengqing (劉登清) resigned as the Independent Supervisor of the Company on 17 May 2019.

Shareholder representative Supervisors and independent Supervisors are elected and removed at the general meeting, while employee representative Supervisors are democratically elected or replaced at the staff representative assembly. Each supervisor will hold offices until the annual general meeting for the year 2021 to be held in 2022, and is subject to re-election for re-appointment when terms of office as Supervisor expire.

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

## CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Supervisory Committee held six on-site meetings and the Company held one general meeting in total. The attendance of the meetings by each Supervisor is as follows:

Name of Supervisors	Number of Meetings of the Supervisory Committee Attended During the Tenure	Attendance Rate	Number of General Meeting(s) Attended During the Tenure	Attendance Rate
Mr. ZHANG Qingcai (張慶財) (Chairman of the Supervisory Committee)	6/6	100%	1/1	100%
Mr. LI Wucheng (李武成)	6/6	100%	1/1	100%
Mr. WANG Yaping (王亞平) (Note 1)	3/3	100%	1/1	100%
Mr. YANG Qiulin (楊秋林) (Note 2)	3/3	100%	1/1	100%
Mr. LI Xuxiu (李旭修) (Note 3)	3/3	100%	1/1	100%
Mr. LIU Dengqing (劉登清) (Note 4)	3/3	100%	1/1	100%
Mr. LIU Shuiguo (劉水國)	6/6	100%	1/1	100%
Ms. WANG Xiaoyan (王曉燕)	6/6	100%	1/1	100%

Note 1: Mr. WANG Yaping (王亞平) was appointed on 17 May 2019. The Company held three on-site Supervisory Committee meetings and held no general meeting from the date of his appointment up to 31 December 2019. Mr. WANG Yaping was present at the general meeting as an independent non-executive Director, and he ceased to serve as an independent non-executive Director and his respective positions within the board committees of the Company with effect from 17 May 2019 due to the expiry of each of his term of office as a Director.

Note 2: Mr. YANG Qiulin (楊秋林) was appointed on 17 May 2019. The Company held three on-site Supervisory Committee meetings and held no general meeting from the date of his appointment up to 31 December 2019. Mr. YANG Qiulin was present at the general meeting as an independent non-executive Director, and he ceased to serve as an independent non-executive Director and his respective positions within the board committees of the Company with effect from 17 May 2019 due to the expiry of each of his term of office as a Director.

Note 3: Mr. LI Xuxiu (李旭修) resigned on 17 May 2019. The Company held three on-site Supervisory Committee meetings and one general meeting from 1 January 2019 to the date of his resignation.

Note 4: Mr. LIU Dengqing (劉登清) resigned on 17 May 2019. The Company held three on-site Supervisory Committee meetings and one general meeting from 1 January 2019 to the date of his resignation.

The performance of responsibilities by the Supervisory Committee is set out under the section headed "Supervisors' Report".

## CORPORATE GOVERNANCE REPORT

### IV. CORPORATE GOVERNANCE FUNCTION

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

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

### V. COMPANY SECRETARY

During the Reporting Period, Mr. CHEN Fuxiang as the company secretary of the Company, had complied with the requirements on taking no less than 15 hours of relevant professional trainings as set out in Rule 3.29 of the Hong Kong Listing Rules. Meanwhile, Mr. CHEN also actively participated in studies and updated his professional knowledge related to the Hong Kong Listing Rules and corporate governance to continuously improve his professional skills as the Company Secretary.

### VI. AUDITOR

Financial statements contained in this annual report have been audited by PricewaterhouseCoopers Zhong Tian LLP. Service fees which shall be paid by the Company to PricewaterhouseCoopers Zhong Tian LLP for the year amounted to RMB8.64 million (value added tax and other related tax included). The non-audit services primarily comprise scrutineer services.

<b>Services rendered</b>	<b>Fees Payable (RMB)</b>
Audit service for listed company	6,110,000
Other audit services of the Group	2,520,000
Non-audit services	<u>10,000</u>
Total	<u><u>8,640,000</u></u>

## CORPORATE GOVERNANCE REPORT

### VII. RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

#### 1. Compliance Control

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

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



## CORPORATE GOVERNANCE REPORT

### 2. Operation Control

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

### 3. Investment Control

The Company has implemented centralized procedures of examination and approval on external investments of the Company itself and its subsidiaries, and established a set of management process, ranging from project screening, decision approval, disposal of investment and risk control. In the view that the Company has many joint venture companies, the Company has also set up specialized management system for joint venture companies. The Company has established and optimized the engineering project management system, standardized the work flow of project establishment, bidding, cost, acceptance, construction and other links to ensure the quality, progress and capital safety of engineering projects.

### 4. Finance Control

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

### 5. Internal Audit Control

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

## CORPORATE GOVERNANCE REPORT

In 2019, the Company conducted an annual evaluation of its risk management and internal control system. The method, findings, analysis and results of the evaluation have been reported to the Audit Committee and the Board. The Company engaged PricewaterhouseCoopers Zhong Tian LLP to conduct audit on the Company's internal control. The auditor was of the view that the Company maintained effective internal control in financial reporting in all material aspects in accordance with the Basic Standards for Enterprise Internal Control and related regulations as at 31 December 2019. The Board discussed the risk management and internal control system (including financial, operational and compliance control etc.) of the Company and its subsidiaries and was of the opinion that the risk management and internal control system of the Company was adequate and effective. The Board was of the opinion that the risk management and internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

### VIII. INVESTOR RELATIONS

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

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

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

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

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

## CORPORATE GOVERNANCE REPORT

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

In the annual general meeting of the Company held on 17 May 2019, the chairman of the meeting demanded that all resolutions to be passed by poll, among which, cumulative voting system was adopted for election of Directors and Supervisors at general meetings. The chairman had explained the procedures for voting at the meeting. At the meeting, the resolutions regarding the annual report for 2018, the profit distribution plan for 2017 and 2018 and the elections of Directors and Supervisors were considered and approved. For details, please refer to the announcement of the Company regarding the poll results dated 17 May 2019.

### 2. Amendments to Constitutional Document

The Articles of Association that is applicable upon the A shares offering of the Company has taken effect since 21 January 2019, i.e. the listing date of A shares of the Company. The current applicable Articles of Association has been published on the websites of the Company and the Hong Kong Stock Exchange.

### 3. Information Disclosure

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

The Company prepared and disclosed its regular and provisional reports in strict adherence to the principles of truthfulness, accuracy, completeness, timeliness and fairness. It continuously enhanced the pertinence, effectiveness and transparency of information disclosure in order to guarantee investors' access to relevant information and ensure that the investors in the Chinese mainland and Hong Kong are provided with equal opportunity to access relevant information. It carefully organised compliance analysis and disclosure of material events, as well as actively exploring voluntary information disclosure to provide more timely, comprehensive and effective information to investors.

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

### 4. Investor Relations Management

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

## CORPORATE GOVERNANCE REPORT

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

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

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

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

Office of the Board

Tel: 86-532-82982011

E-mail: qggj@qdport.com

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

## AUDITOR'S REPORT



普华永道

PwC ZT Shen Zi (2020) No. 10102

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

## OPINION

### What we have audited

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

- the consolidated and company balance sheets as at 31 December 2019;
- the consolidated and company income statements for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the consolidated and company statements of changes in shareholders' equity for the year then ended; and
- notes to the financial statements.

### Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of Qingdao Port International as at 31 December 2019, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises (“CASs”).

### BASIS FOR OPINION

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

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

普华永道中天会计师事务所(特殊普通合伙)  
PricewaterhouseCoopers Zhong Tian LLP, 11/F PricewaterhouseCoopers Center  
Link Square 2, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC  
T: +86 (21) 2323 8888, F: +86 (21) 2323 8800, www.pwccn.com



## AUDITOR'S REPORT

PwC ZT Shen Zi (2020) No. 10102

### KEY AUDIT MATTERS

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

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

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

#### Key Audit Matter

##### **Provision for early retirement benefits and supplemental retirement benefits obligations**

As stated in Note 2 “*Significant accounting policies and accounting estimates*” (19)(b) (c), (30)(a)(ii) and Note 4 “*Notes to the consolidated financial statements*”(34), Qingdao Port International has provided early retirement benefits to employees who have accepted voluntary redundancy and has also provided supplemental retirement benefits to its employees. As at 31 December 2019, Qingdao Port International has recognised liabilities in connection with the provisions for early retirement benefits and supplemental retirement benefits of approximately RMB63.42 million and RMB2,482.13 million, respectively.

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

We regard this area as a key audit matter because the provision for early retirement benefits and supplemental retirement benefits obligations requires significant judgements and estimates and also the amounts involved are significant.

#### How our audit addressed the Key Audit Matter

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

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

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

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

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

## AUDITOR'S REPORT

PwC ZT Shen Zi (2020) No. 10102

## KEY AUDIT MATTERS (Continued)

## Key Audit Matter

**Estimates on the bad debt provision for accounts receivable**

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

The gross carrying amount of accounts receivable amounted to RMB2,504.15 million and a provision for impairment of RMB166.42 million has been recognised as at 31 December 2019.

The management calculates Expected Credit Loss (“ECL”) according to exposure at default and lifetime ECL rate. When determining ECL rate, the management adopts historical credit loss experience in combination with current situation and forward-looking information to adjust historical data to derive a forward-looking adjusted ECL rate. When considering the historical credit loss experience, the management takes into account various factors like the debtors’ financial position, historical recovery and the aging of accounts receivables. When considering forward-looking information, the management uses indicators including the risk of economic downturn, the expected increase of unemployment rate, external market environment, etc.

We regard this area as a key audit matter because the amounts involved are significant and management made significant estimate and judgement in determining the impairment of accounts receivable.

## How our audit addressed the Key Audit Matter

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

We evaluated the reasonableness of the ECL measurement of accounts receivable.

- We conducted external confirmation procedures on sample basis for accounts receivable balances and agreed the confirmed balances to the amounts as recorded by Qingdao Port International. On sample basis, we checked the accuracy of the aging of accounts receivable by inspecting the related supporting documents (such as operation records and invoices etc.).
- We involved our internal specialists to assist us in evaluating the management’s ECL measurement method of accounts receivable and the assumptions such as historical default loss rates and forward-looking adjustment coefficients. The assessment of the forward-looking adjustment coefficient takes into account the current macroeconomic situation and its relationship with historical credit loss data, as well as the comprehensive factors such as the rationality of the setting of multi-scene weights. On this basis, the expected credit losses were recalculated to verify the accuracy of management’s calculation of ECL.

We have checked whether there is any significant deviation between the management’s estimate of the ECL of the accounts receivable and the debtor’s financial and credit status, including checking the status of subsequent recoverability of accounts receivable on sample basis; regarding those debtors with relatively large receivable balances or with delays in their settlements, we searched the website of the court on sample basis to understand whether there is any significant litigation or bankruptcy information published which have implications on the financial positions of the related debtors.

We compared the method, proportion and other available information on bad debts of accounts receivable with other listed port operating companies in China.

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

## AUDITOR'S REPORT

PwC ZT Shen Zi (2020) No. 10102

### OTHER INFORMATION

Management of the Qingdao Port International is responsible for the other information. The other information comprises all of the information included in 2019 annual report of Qingdao Port International other than the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

## AUDITOR'S REPORT

PwC ZT Shen Zi (2020) No. 10102

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Qingdao Port International's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Qingdao Port International to cease to continue as a going concern.
- Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Qingdao Port International to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

PricewaterhouseCoopers Zhong Tian LLP

Shanghai, the People's Republic of China  
26 March 2020

Signing CPA  
Jia Na (Engagement Partner)

Signing CPA  
Li Lili

# CONSOLIDATED BALANCE SHEET

As at 31 December 2019

(All amounts in RMB Yuan unless otherwise stated)

<b>ASSETS</b>	Note 4	<b>31 December 2019</b>	31 December 2018
<b>Current assets</b>			
Cash at bank and on hand	(1)	6,846,399,847	8,077,972,498
Financial asset held for trading	(2)	952,673,153	875,000,000
Notes receivable	(3)	89,208,129	65,198,592
Accounts receivable	(4)	2,337,733,076	2,068,535,326
Financing receivables	(5)	705,149,454	670,396,485
Advances to suppliers	(6)	65,477,940	81,694,054
Other receivables	(7)	1,825,685,161	1,782,762,150
Inventories	(8)	208,760,886	174,723,066
Contract assets	(9)	194,622,693	280,972,522
Current portion of non-current assets	(11), (21)	445,754,126	385,744,736
Other current assets	(10)	<u>6,214,206,368</u>	<u>3,903,247,154</u>
<b>Total current assets</b>		<u><b>19,885,670,833</b></u>	<u><b>18,366,246,583</b></u>
<b>Non-current assets</b>			
Long-term receivables	(11)	1,528,631,526	1,606,080,481
Long-term equity investments	(12)	9,139,130,196	8,825,256,813
Other non-current financial assets	(13)	538,096,854	268,580,567
Investment properties	(14)	177,094,885	188,836,576
Fixed assets	(15)	14,341,335,334	14,040,859,577
Construction in progress	(16)	2,510,614,143	2,097,812,840
Right-of-use assets	(17)	541,354,681	—
Intangible assets	(18)	2,568,407,616	2,069,854,074
Goodwill		20,686,493	25,373,323
Long-term prepaid expenses		28,601,553	26,894,955
Deferred tax assets	(19)	906,362,986	908,858,376
Other non-current assets	(21)	<u>599,314,295</u>	<u>341,128,768</u>
<b>Total non-current assets</b>		<u><b>32,899,630,562</b></u>	<u><b>30,399,536,350</b></u>
<b>TOTAL ASSETS</b>		<u><b>52,785,301,395</b></u>	<u><b>48,765,782,933</b></u>



**CONSOLIDATED BALANCE SHEET**

As at 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	Note 4	<b>31 December 2019</b>	31 December 2018
<b>Current liabilities</b>			
Short-term borrowings	(22)	128,596,572	166,712,204
Notes payable	(23)	1,164,769,783	957,024,876
Accounts payable	(24)	1,411,666,083	1,581,607,319
Advances from customers		22,251,659	209,454,071
Contract liabilities	(25)	245,532,722	134,964,090
Employee benefits payable	(26)	308,496,016	251,347,940
Taxes payable	(27)	248,863,830	209,314,607
Other payables	(28)	7,200,531,814	5,954,949,541
	(29), (30)		
Current portion of non-current liabilities	(31), (32)	<u>235,633,528</u>	<u>3,595,928,706</u>
<b>Total current liabilities</b>		<u><b>10,966,342,007</b></u>	<u>13,061,303,354</u>
<b>Non-current liabilities</b>			
Long-term borrowings	(29)	132,882,988	160,792,988
Bonds payable	(30)	2,116,900,000	—
Lease liabilities	(31)	378,301,316	—
Long-term payables	(32)	43,095,019	530,779,311
Provisions		7,053,463	5,718,045
Deferred income	(33)	213,850,289	205,830,431
Long-term employee benefits payable	(34)	2,419,020,000	2,497,630,000
Deferred tax liabilities	(19)	22,295,437	—
Other non-current liabilities	(35)	<u>2,888,198,834</u>	<u>2,884,204,561</u>
<b>Total non-current liabilities</b>		<u><b>8,221,597,346</b></u>	<u>6,284,955,336</u>
<b>Total liabilities</b>		<u><b>19,187,939,353</b></u>	<u>19,346,258,690</u>
<b>Shareholders' equity</b>			
Share capital	(36)	6,491,100,000	6,036,724,000
Capital surplus	(37)	12,326,352,961	10,777,968,793
Other comprehensive income	(38)	182,668,672	133,694,188
Specific reserve		3,914,265	3,399,949
Surplus reserve	(39)	1,278,378,901	986,974,314
General reserve	(40)	380,586,794	298,283,806
Undistributed profits	(41)	<u>9,694,379,282</u>	<u>8,742,614,209</u>
<b>Total equity attributable to shareholders of the Company</b>		<u><b>30,357,380,875</b></u>	<u>26,979,659,259</u>
<b>Minority interests</b>		<u><b>3,239,981,167</b></u>	<u>2,439,864,984</u>
<b>Total Shareholders' equity</b>		<u><b>33,597,362,042</b></u>	<u>29,419,524,243</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u><b>52,785,301,395</b></u>	<u><b>48,765,782,933</b></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 31 December 2019

(All amounts in RMB Yuan unless otherwise stated)

<b>ASSETS</b>	Note 16	<b>31 December 2019</b>	31 December 2018
<b>Current assets</b>			
Cash at bank and on hand	(1)	<b>8,265,088,114</b>	8,444,554,600
Notes receivable		<b>18,667,204</b>	—
Accounts receivable	(2)	<b>996,445,768</b>	726,398,006
Financing receivables	(3)	<b>451,458,292</b>	357,958,050
Advances to suppliers		<b>25,263,063</b>	9,103,345
Other receivables	(4)	<b>581,863,915</b>	126,080,867
Inventories		<b>80,568,215</b>	98,846,642
Contract assets		<b>93,879,526</b>	124,030,811
Current portion of non-current assets	(5)	<b>624,635,554</b>	921,632,329
Other current assets		<b>36,686,394</b>	19,905,966
<b>Total current assets</b>		<b>11,174,556,045</b>	10,828,510,616
<b>Non-current assets</b>			
Long term receivables	(5)	<b>1,858,000,000</b>	1,901,808,894
Long-term equity investments	(6)	<b>13,991,521,234</b>	13,353,136,972
Other non-current financial assets		<b>71,421,487</b>	71,421,487
Investment properties	(7)	<b>1,489,093,569</b>	1,343,775,935
Fixed assets	(8)	<b>7,826,781,172</b>	8,125,917,130
Construction in progress	(9)	<b>1,333,853,492</b>	1,216,355,400
Right-of-use assets		<b>126,126,432</b>	—
Intangible assets	(10)	<b>2,073,151,241</b>	2,160,102,681
Long-term prepaid expenses		<b>3,916,088</b>	7,047,125
Deferred tax assets		<b>37,658,479</b>	37,483,036
Other non-current assets		<b>261,044,621</b>	164,722,808
<b>Total non-current assets</b>		<b>29,072,567,815</b>	28,381,771,468
<b>TOTAL ASSETS</b>		<b>40,247,123,860</b>	39,210,282,084

## COMPANY BALANCE SHEET

As at 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note 16	31 December 2019	31 December 2018
<b>Current liabilities</b>			
Short-term borrowings		358,239,543	159,000,000
Notes payable		245,580,933	207,039,615
Accounts payable		467,119,764	578,764,979
Advances from customers		15,467,645	205,757,187
Contract liabilities		135,665,425	62,705,460
Employee benefits payable		240,552,578	192,317,443
Taxes payable		56,343,229	63,650,616
Other payables		433,282,327	543,085,697
Current portion of non-current liabilities		<u>83,169,099</u>	<u>3,525,843,957</u>
<b>Total current liabilities</b>		<u>2,035,420,543</u>	<u>5,538,164,954</u>
<b>Non-current liabilities</b>			
Bonds payable		2,116,900,000	—
Lease liabilities		80,955,456	—
Long-term payables		43,095,019	136,212,372
Provisions		7,053,463	5,718,045
Deferred income		140,389,104	136,336,251
Long-term employee benefits payable		2,081,760,000	2,162,150,000
Other non-current liabilities		<u>2,888,115,299</u>	<u>2,884,200,855</u>
<b>Total non-current liabilities</b>		<u>7,358,268,341</u>	<u>5,324,617,523</u>
<b>Total liabilities</b>		<u>9,393,688,884</u>	<u>10,862,782,477</u>
<b>Shareholders' equity</b>			
Share capital		6,491,100,000	6,036,724,000
Capital surplus	(12)	16,255,150,636	14,706,766,468
Other comprehensive income		191,510,000	137,710,000
Surplus reserve		1,278,378,901	986,974,314
Undistributed profits	(13)	<u>6,637,295,439</u>	<u>6,479,324,825</u>
<b>Total shareholders' equity</b>		<u>30,853,434,976</u>	<u>28,347,499,607</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>40,247,123,860</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 year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

Item	Note 4	For the year ended 31 December 2019	For the year ended 31 December 2018
<b>1. Revenue</b>	(42)	<b>12,164,080,973</b>	11,741,480,164
Less: Cost of sales	(42), (46)	<b>(8,178,690,909)</b>	(8,115,501,991)
Taxes and surcharges	(43)	<b>(108,501,298)</b>	(117,696,655)
Selling and distribution expenses	(46)	<b>(36,990,125)</b>	(21,041,094)
General and administrative expenses	(44), (46)	<b>(503,215,842)</b>	(481,562,940)
Research and development expenses	(18), (46)	<b>(33,764,127)</b>	(39,728,196)
Financial expenses – net	(45)	<b>207,915,807</b>	179,832,185
Including: Interest expenses		<b>222,507,080</b>	203,665,028
Interest income		<b>502,162,922</b>	423,674,785
Add: Other income	(47)	<b>122,080,426</b>	34,166,601
Investment income	(48)	<b>1,492,273,337</b>	1,455,440,858
Including: Investment income from associates and joint ventures		<b>1,381,207,816</b>	1,287,921,477
Gains on changes in fair value		<b>8,996,486</b>	5,014,902
Credit impairment losses	(49)	<b>(19,714,764)</b>	43,063,759
Asset impairment losses		<b>(4,686,830)</b>	—
Gains on disposal of assets		<b>3,453,170</b>	40,545,867
<b>2. Operating profit</b>		<b>5,113,236,304</b>	4,724,013,460
Add: Non-operating income	(50)	<b>31,883,637</b>	43,074,891
Less: Non-operating expenses		<b>(18,314,524)</b>	(10,597,986)
<b>3. Total profit</b>		<b>5,126,805,417</b>	4,756,490,365
Less: Income tax expenses	(51)	<b>(994,203,437)</b>	(912,964,017)
<b>4. Net profit</b>		<b>4,132,601,980</b>	3,843,526,348
Classified by continuity of operations			
Net profit from continuing operations		<b>4,132,601,980</b>	3,843,526,348
Net profit from discontinued operations		—	—
Classified by ownership of the equity			
Minority interests		<b>342,458,662</b>	250,040,717
Attributable to shareholders of the Company		<b>3,790,143,318</b>	3,593,485,631

**CONSOLIDATED INCOME STATEMENT**

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

Item	Note 4	For the year ended 31 December 2019	For the year ended 31 December 2018
<b>5. Other comprehensive income, net of tax</b>	(38)	<b>47,373,831</b>	(145,620,731)
Attributable to shareholders of the Company, net of tax			
Other comprehensive income items which will not be subsequently reclassified to profit or loss			
Changes in remeasurement of defined benefit plan obligations		<b>51,274,802</b>	(162,847,800)
Other comprehensive income items which will be subsequently reclassified to profit or loss			
Changes in fair value of other debt investments		<b>(2,300,318)</b>	12,676,488
Attributable to minority shareholders, net of tax		<b>(1,600,653)</b>	4,550,581
<b>6. Total comprehensive income</b>		<b>4,179,975,811</b>	3,697,905,617
Attributable to shareholders of the Company		<b>3,839,117,802</b>	3,443,314,319
Attributable to minority interests		<b>340,858,009</b>	254,591,298
<b>7. Earnings per share</b>			
Basic earnings per share (RMB)	(52) (a)	<b>0.59</b>	0.60
Diluted earnings per share (RMB)	(52) (b)	<b>0.59</b>	0.60

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:



# COMPANY INCOME STATEMENT

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

Item	Note 16	For the year ended 31 December 2019	For the year ended 31 December 2018
<b>1. Revenue</b>	(14)	<b>5,779,037,865</b>	5,760,752,943
Less: Cost of sales	(14), (16)	<b>(4,144,229,248)</b>	(4,165,218,318)
Taxes and surcharges		<b>(84,016,892)</b>	(84,690,382)
Selling and distribution expenses	(16)	<b>(24,546,853)</b>	(19,414,467)
General and administrative expenses	(16)	<b>(305,549,526)</b>	(286,064,407)
Research and development expenses	(16)	<b>(15,183,607)</b>	(14,968,090)
Financial expenses – net	(15)	<b>92,502,171</b>	(64,664,467)
Including: Interest expenses		<b>109,582,613</b>	118,480,906
Interest income		<b>269,494,788</b>	98,940,769
Add: Other income		<b>21,700,400</b>	4,558,092
Investment income	(17)	<b>1,980,625,599</b>	2,272,720,278
Including: Investment income from associates and joint ventures		<b>1,377,429,564</b>	1,283,001,281
Credit impairment losses	(11)	<b>(11,015,887)</b>	67,291,469
Gains on disposal of assets		<b>3,861,014</b>	5,236,044
<b>2. Operating profit</b>		<b>3,293,185,036</b>	3,475,538,695
Add: Non-operating income		<b>24,091,715</b>	39,338,264
Less: Non-operating expenses		<b>(12,699,352)</b>	(9,690,978)
<b>3. Total profit</b>		<b>3,304,577,399</b>	3,505,185,981
Less: Income tax expenses	(18)	<b>(390,531,528)</b>	(375,345,943)
<b>4. Net profit</b>		<b>2,914,045,871</b>	3,129,840,038
Classified by continuity of operations			
Net profit from continuing operations		<b>2,914,045,871</b>	3,129,840,038
Net profit from discontinued operations		—	—
<b>5. Other comprehensive income, net of tax</b>		<b>53,800,000</b>	(133,110,000)
Other comprehensive income items that will not be subsequently reclassified to profit or loss			
Changes in remeasurement of defined benefit plan obligations		<b>53,800,000</b>	(133,110,000)
<b>6. Total comprehensive income</b>		<b>2,967,845,871</b>	2,996,730,038

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

Item	Note 4	For the year ended 31 December 2019	For the year ended 31 December 2018
<b>1. Cash flows from operating activities</b>			
Cash received from sales of goods or rendering of services		11,824,872,811	10,811,393,842
Cash received relating to other operating activities	(53)(a)	<u>538,911,285</u>	<u>347,633,961</u>
<b>Sub-total of cash inflows</b>		<u>12,363,784,096</u>	<u>11,159,027,803</u>
Cash paid for goods and services		(5,786,216,440)	(5,162,532,643)
Cash paid to and on behalf of employees		(2,197,240,477)	(2,010,625,247)
Payments of taxes and surcharges		(1,254,140,485)	(1,304,420,971)
Cash paid relating to other operating activities	(53)(b)	<u>(160,196,924)</u>	<u>(390,444,728)</u>
<b>Sub-total of cash outflows</b>		<u>(9,397,794,326)</u>	<u>(8,868,023,589)</u>
<b>Net cash flows from operating activities</b>	(54)(a)	<u>2,965,989,770</u>	<u>2,291,004,214</u>
<b>2. Cash flows from investing activities</b>			
Cash received from disposal of investments		35,949,559,465	12,841,958,668
Cash received from returns on investments		1,753,786,173	1,676,369,248
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		13,962,768	380,905,473
Net cash received from disposal of subsidiaries and other business units		4,773,847	—
Cash received relating to other investing activities	(53)(c)	<u>3,570,480,022</u>	<u>6,485,958,858</u>
<b>Sub-total of cash inflows</b>		<u>41,292,562,275</u>	<u>21,385,192,247</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(2,324,441,106)	(2,952,122,093)
Cash paid to acquire investments		(37,948,844,063)	(15,242,501,732)
Cash paid to acquire subsidiaries		—	(23,035,440)
Cash paid relating to other investing activities	(53)(d)	<u>(2,995,342,203)</u>	<u>(4,107,108,822)</u>
<b>Sub-total of cash outflows</b>		<u>(43,268,627,372)</u>	<u>(22,324,768,087)</u>
<b>Net cash flows from investing activities</b>		<u>(1,976,065,097)</u>	<u>(939,575,840)</u>

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

Item	Note 4	<b>For the year ended 31 December 2019</b>	For the year ended 31 December 2018
<b>3. Cash flows from financing activities</b>			
Cash received from capital contributions		<b>2,521,650,805</b>	765,350,000
Including: Cash received from capital contributions by minority shareholders of subsidiaries		<b>542,721,037</b>	765,350,000
Cash received from borrowings		<b>1,502,511,804</b>	2,520,030,529
Cash received relating to other financing activities	(53)(e)	<b>835,735,174</b>	—
<b>Sub-total of cash inflows</b>		<b>4,859,897,783</b>	3,285,380,529
Cash repayments of borrowings		<b>(2,955,450,283)</b>	(2,406,853,770)
Cash payments for distribution of dividends, profits or interest expenses		<b>(2,731,749,365)</b>	(296,388,169)
Including: Cash payments for distribution of profit to minority shareholders of subsidiaries		<b>(68,459,957)</b>	(85,197,324)
Cash paid relating to other financing activities	(53)(f)	<b>(194,681,721)</b>	(4,336,210,264)
<b>Sub-total of cash outflows</b>		<b>(5,881,881,369)</b>	(7,039,452,203)
<b>Net cash flows from financing activities</b>		<b>(1,021,983,586)</b>	(3,754,071,674)
<b>4. Effect of foreign exchange rate changes on cash</b>		<b>16,026,344</b>	53,982,448
<b>5. Net decrease in cash</b>	(54)(b)	<b>(16,032,569)</b>	(2,348,660,852)
Add: Cash at the beginning of the year		<b>4,014,278,650</b>	6,362,939,502
<b>6. Cash at the end of the year</b>	(54)(c)	<b>3,998,246,081</b>	4,014,278,650

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

# COMPANY CASH FLOW STATEMENT

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

Item	For the year ended 31 December 2019	For the year ended 31 December 2018
<b>1. Cash flows from operating activities</b>		
Cash received from sales of goods or rendering of services	3,931,822,253	3,816,807,202
Cash received relating to other operating activities	<u>405,313,326</u>	<u>517,409,021</u>
<b>Sub-total of cash inflows</b>	<u>4,337,135,579</u>	<u>4,334,216,223</u>
Cash paid for goods and services	(1,406,218,413)	(1,142,179,222)
Cash paid to and on behalf of employees	(1,367,721,696)	(1,436,918,252)
Payments of taxes and surcharges	(607,621,447)	(559,785,399)
Cash paid relating to other operating activities	<u>(69,826,293)</u>	<u>(69,694,626)</u>
<b>Sub-total of cash outflows</b>	<u>(3,451,387,849)</u>	<u>(3,208,577,499)</u>
<b>Net cash flows from operating activities</b>	<u>885,747,730</u>	<u>1,125,638,724</u>
<b>2. Cash flows from investing activities</b>		
Cash received from disposal of investments	23,307,008,679	5,929,746,413
Cash received from returns on investments	1,996,741,870	2,097,074,557
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	6,477,527	230,437,683
Net cash received from disposal of subsidiaries and other business units	13,174,044	—
Cash received relating to other investing activities	<u>1,143,018,634</u>	<u>3,542,100,000</u>
<b>Sub-total of cash inflows</b>	<u>26,466,420,754</u>	<u>11,799,358,653</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(788,556,076)	(972,906,278)
Cash paid to acquire investments	(23,612,528,239)	(7,195,061,594)
Cash paid relating to other investing activities	<u>(1,132,999,999)</u>	<u>(1,982,100,000)</u>
<b>Sub-total of cash outflows</b>	<u>(25,534,084,314)</u>	<u>(10,150,067,872)</u>
<b>Net cash flows from investing activities</b>	<u>932,336,440</u>	<u>1,649,290,781</u>

## COMPANY CASH FLOW STATEMENT

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

Item	For the year ended 31 December 2019	For the year ended 31 December 2018
<b>3. Cash flows from financing activities</b>		
Cash received from capital contributions	1,978,929,768	—
Cash received from borrowings	<u>357,800,000</u>	<u>171,000,000</u>
<b>Sub-total of cash inflows</b>	<u>2,336,729,768</u>	<u>171,000,000</u>
Cash repayments of borrowings	(1,542,100,000)	(327,000,000)
Cash payments for distribution of dividends, profits or interest expenses	(2,582,503,723)	(116,502,619)
Cash paid relating to other financing activities	<u>(30,054,568)</u>	<u>(11,105,813)</u>
<b>Sub-total of cash outflows</b>	<u>(4,154,658,291)</u>	<u>(454,608,432)</u>
<b>Net cash flows from financing activities</b>	<u>(1,817,928,523)</u>	<u>(283,608,432)</u>
<b>4. Effect of foreign exchange rate changes on cash</b>	<u>10,131,815</u>	<u>42,110,177</u>
<b>5. Net increase in cash</b>	<u>10,287,462</u>	2,533,431,250
Add: Cash at the beginning of the year	<u>6,819,212,991</u>	<u>4,285,781,741</u>
<b>6. Cash at the end of the year</b>	<u>6,829,500,453</u>	<u>6,819,212,991</u>

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

Item	Note 4	Attributable to shareholders of the Company							Minority interests	Total shareholders' equity
		Share capital	Capital surplus	Other comprehensive income	Specific reserve	Surplus reserve	General risk reserve	Undistributed profits		
<b>Balance at 31 December 2017</b>		6,036,724,000	10,770,800,519	283,865,500	11,946,732	673,990,310	226,359,871	5,534,036,517	1,507,993,619	25,045,717,068
<b>Movements for the year ended 31 December 2018</b>										
Total comprehensive income										
Net profit		—	—	—	—	—	—	3,593,485,631	250,040,717	3,843,526,348
Other comprehensive income	(38)	—	—	(150,171,312)	—	—	—	—	4,550,581	(145,620,731)
Total comprehensive income for the year		—	—	(150,171,312)	—	—	—	3,593,485,631	254,591,298	3,697,905,617
Capital contribution and withdrawal by shareholders										
Capital contribution by minority shareholders in subsidiaries		—	—	—	—	—	—	—	765,350,000	765,350,000
Profit distribution										
Appropriation to surplus reserve	(39)	—	—	—	—	312,984,004	—	(312,984,004)	—	—
Appropriation to general reserve	(40)	—	—	—	—	—	(71,923,935)	(71,923,935)	—	—
Profit distribution to shareholders	(41)	—	—	—	—	—	—	—	(87,174,030)	(87,174,030)
Specific reserve										
Appropriation to safety fund		—	—	—	48,329,695	—	—	—	4,533,371	52,863,066
Utilization of safety fund		—	—	—	(56,876,478)	—	—	—	(5,429,274)	(62,305,752)
Recognition of other changes in other reserves of associates and joint ventures	(37)	—	7,168,274	—	—	—	—	—	—	7,168,274
<b>Balance at 31 December 2018</b>		<u>6,036,724,000</u>	<u>10,777,968,793</u>	<u>133,694,188</u>	<u>3,399,949</u>	<u>986,974,314</u>	<u>298,283,806</u>	<u>8,742,614,209</u>	<u>2,439,864,984</u>	<u>29,419,524,243</u>



## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

Item	Note 4	Attributable to shareholders of the Company							Minority interests	Total shareholders' equity
		Share capital	Capital surplus	Other comprehensive income	Specific reserve	Surplus reserve	General risk reserve	Undistributed profits		
<b>Balance at 31 December 2018</b>		<u>6,036,724,000</u>	<u>10,777,968,793</u>	<u>133,694,188</u>	<u>3,399,949</u>	<u>986,974,314</u>	<u>298,283,806</u>	<u>8,742,614,209</u>	<u>2,439,864,984</u>	<u>29,419,524,243</u>
<b>Movements for the year ended</b>										
<b>31 December 2019</b>										
Total comprehensive income										
Net profit		—	—	—	—	—	—	3,790,143,318	342,458,662	4,132,601,980
Other comprehensive income	(38)	—	—	48,974,484	—	—	—	—	(1,600,653)	47,373,831
Total comprehensive income for the year		—	—	48,974,484	—	—	—	3,790,143,318	340,858,009	4,179,975,811
Capital contribution and withdrawal by shareholders										
Ordinary shares held by shareholders	(36), (37)	454,376,000	1,524,553,768	—	—	—	—	—	—	1,978,929,768
Capital contribution by minority shareholders in subsidiaries	(37)	—	15,245,576	—	—	—	—	—	527,475,461	542,721,037
Profit distribution										
Appropriation to surplus reserve	(39)	—	—	—	—	291,404,587	—	(291,404,587)	—	—
Appropriation to general reserve	(40)	—	—	—	—	—	82,302,988	(82,302,988)	—	—
Profit distribution to shareholders	(41)	—	—	—	—	—	—	(2,464,670,670)	(68,459,957)	(2,533,130,627)
Specific reserve										
Appropriation to safety fund		—	—	—	52,697,332	—	—	—	9,151,196	61,848,528
Utilization of safety fund		—	—	—	(52,183,016)	—	—	—	(8,908,526)	(61,091,542)
Recognition of other changes in other reserves of associates and joint ventures										
	(37)	—	8,584,824	—	—	—	—	—	—	8,584,824
<b>Balance at 31 December 2019</b>		<u>6,491,100,000</u>	<u>12,326,352,961</u>	<u>182,668,672</u>	<u>3,914,265</u>	<u>1,278,378,901</u>	<u>380,586,794</u>	<u>9,694,379,282</u>	<u>3,239,981,167</u>	<u>33,597,362,042</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 year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

Item	Note 16	Share capital	Capital surplus	Other comprehensive income	Specific reserve	Surplus reserve	Undistributed profits	Total equity
<b>Balance at 31 December 2017</b>		<u>6,036,724,000</u>	<u>14,699,598,194</u>	<u>270,820,000</u>	<u>7,977,788</u>	<u>673,990,310</u>	<u>3,662,468,791</u>	<u>25,351,579,083</u>
<b>Movements for the year ended 31 December 2018</b>								
Total comprehensive income								
Net profit	(13)	—	—	—	—	—	3,129,840,038	3,129,840,038
Other comprehensive income		—	—	(133,110,000)	—	—	—	(133,110,000)
Total comprehensive income for the year		—	—	(133,110,000)	—	—	3,129,840,038	2,996,730,038
Profit distribution								
Appropriation to surplus reserve		—	—	—	—	312,984,004	(312,984,004)	—
Specific reserve								
Appropriation to safety fund		—	—	—	32,257,850	—	—	32,257,850
Utilization of safety fund		—	—	—	(40,235,638)	—	—	(40,235,638)
Recognition of other changes in other reserve of associates and joint ventures	(12)	—	7,168,274	—	—	—	—	7,168,274
<b>Balance at 31 December 2018</b>		<u>6,036,724,000</u>	<u>14,706,766,468</u>	<u>137,710,000</u>	<u>—</u>	<u>986,974,314</u>	<u>6,479,324,825</u>	<u>28,347,499,607</u>

## COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2019

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 16	Share capital	Capital surplus	Other comprehensive income	Specific reserve	Surplus reserve	Undistributed profits	Total equity
<b>Balance at 31 December 2018</b>		<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>
<b>Movements for the year ended 31 December 2019</b>								
Total comprehensive income								
Net profit	(13)	—	—	—	—	—	2,914,045,871	2,914,045,871
Other comprehensive income		—	—	53,800,000	—	—	—	53,800,000
Total comprehensive income for the year		—	—	53,800,000	—	—	2,914,045,871	2,967,845,871
Capital contribution and withdrawal by shareholders								
Ordinary shares held by shareholders	(12)	454,376,000	1,524,553,768	—	—	—	—	1,978,929,768
Capital contribution by minority shareholders in subsidiaries		—	15,245,576	—	—	—	—	15,245,576
Profit distribution								
Appropriation to surplus reserve		—	—	—	—	291,404,587	(291,404,587)	—
Profit distribution to shareholders		—	—	—	—	—	(2,464,670,670)	(2,464,670,670)
Specific reserve								
Appropriation to safety fund		—	—	—	33,281,668	—	—	33,281,668
Utilization of safety fund		—	—	—	(33,281,668)	—	—	(33,281,668)
Recognition of other changes in other reserves of associates and joint ventures	(12)	—	8,584,824	—	—	—	—	8,584,824
<b>Balance at 31 December 2019</b>		<u>6,491,100,000</u>	<u>16,255,150,636</u>	<u>191,510,000</u>	—	<u>1,278,378,901</u>	<u>6,637,295,439</u>	<u>30,853,434,976</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 year ended 31 December 2019  
(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”), Everbright Holdings (Qingdao) Financial Leasing Co., Ltd. (Everbright Holdings Qingdao) and Qingdao International Investment Co., Ltd. (“Qingdao International Investment”) (Collectively referred to as “other promoters”), with its registered address at No. 12 Jingba Road, Huangdao District, Qingdao, PRC.

Pursuant to Qingdao State-Owned Assets Supervision & Administration Commission’s (“Qingdao SASAC”) 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>

The Company issued 705,800,000 foreign-listed H-shares overseas at its Initial Public Offering on 6 June 2014. 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.

Furthermore, 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

### 1 GENERAL INFORMATION (Continued)

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 HKD4.32 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. (“Shanghai China Shipping Terminal”) 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 31 December 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.

Pursuant to the Gratuitous Transfer Agreement of the Equity Interests in Qingdao Port Group. Among Shandong Port Group Co., Ltd., the State-owned Assets Supervision and Administration Commission of Qingdao Municipal People’s Government (“Qingdao SASAC”) and the State-Owned Assets Supervision and Administration Commission of Weihai Municipal People’s Government (the “Gratuitous Transfer Agreement”) signed on 22 August 2019, Qingdao SASAC shall gratuitously transfer 100% equity interests in Qingdao Port Group to Shandong Port Group Co., Ltd. Upon completion of the gratuitous transfer, Qingdao Port Group will become a wholly-owned subsidiary of Shandong Port Group Co., Ltd.. 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 Co., Ltd. triggered by the gratuitous transfer. As at 31 December 2019, the closing of the gratuitous transfer has not been completed and Qingdao Port Group remained as the Company’s ultimate parent company.

The scope of business of the Company and its subsidiaries (collectively the “Group”) includes port and port-related services such as stevedoring, stacking, logistics of containers, metal ores, coal, crude oil, grains, break bulk cargo, financing service business, and port supporting business like port machinery manufacture, 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. The newly incorporated subsidiaries in the reporting period are newly established subsidiaries. Subsidiary that is excluded from consolidation for the reporting period includes that already disposed, please refer to Note 5.

These financial statements have been approved for issuance by the Company’s Board of Directors on 26 March 2020.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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)), depreciation of fixed assets (Note 2(13)), amortization of intangible assets (Note 2(16)), early retirement benefits and supplementary retirement benefit's recognition (Note 2(19)), revenue recognition (Note 2(22)) and so on.

The Group's critical judgements applied in determining significant accounting policies are as follows Note 2(30).

#### (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.

The new Hong Kong Companies Ordinance came into effect on 3 March 2014. 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 recognized based on the appraisal values approved by the competent state-owned assets management authorities, stated on the Company's financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

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

The financial statements of the Company for the year ended 31 December 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 31 December 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 recognized 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 recognized 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 recognized 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 recognized amounts of the equity or debt securities.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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 recognized 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.

#### (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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (8) Foreign currency translation

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 recognized 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.

#### (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 recognized.

##### (a) Financial assets

##### (i) *Classification and measurement 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 recognized in profit or loss. For other financial assets, the related transaction costs are included in initially recognized 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 recognized 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 recognized 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 year ended 31 December 2019  
(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 and measurement of financial assets (Continued)

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

Measured at fair value through other comprehensive income:

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

Measured at fair value through 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. At initial recognition, the Group designates a portion of financial assets as those measured at fair value through profit or loss to eliminate or dramatically reduce accounting mismatches. 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 year ended 31 December 2019  
(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 recognized for financial assets measured at amortized cost, investments in equity instruments at fair value through other comprehensive income, contract assets and financial guarantee contracts based on Expected Credit Loss (“ECL”).

ECL is recognized 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 recognized. Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognized.

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 sales of goods, rendering of services and other daily operating activities, no matter whether there is a significant financing component, the Group measures their loss provision based on lifetime ECL.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (9) Financial instruments (Continued)

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

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

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

Bank acceptance notes	Bank acceptance notes group
Group A	Trade acceptance notes, accounts receivable, other receivables and contract assets from subsidiaries
Group B	Loans and payments in advance
Group C	Interest receivable of bank deposits
Group D	Trade acceptance notes, accounts receivable and contract assets from related parties and third parties other than the consolidation scope
Group E	All other remaining receivables other than Group A, Group B and Group C

For accounts receivable, notes receivable and financing receivables caused by sales of goods, rendering of services and other daily operating activities that on the grouping basis, the Group calculates the ECL by referring to historical credit loss experience, considering current situation and future economic conditions, and based on the exposure at default (“EAD”) and lifetime ECL ratio. For other notes receivables, financing receivables and other receivables on the grouping basis, the Group calculates the ECL by referring to historical credit loss experience, considering current situation and future economic conditions, and based on the EAD and the ECL ratio within 12 months or for the lifetime.

For loans and advances that are accounted for as other receivables, the Group measures loans based on the client’s “probability of default” and financial status of the agreed obligations, taking into account EAD and possible future development trends.

Impairment losses provision or reversal is recognised 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 year ended 31 December 2019  
(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 derecognized 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 recognized directly in other comprehensive income, is recognized 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 recognized directly in other comprehensive income, is recognized 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 recognized 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 derecognized or partly derecognized when the current obligation is discharged or partly discharged. The difference between the carrying amount of the financial liability or the derecognized part of the financial liability and the consideration paid is recognized in profit or loss in the current period.

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (10) Inventories

**(a) Classification**

Inventories include amounts of 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.**

#### (11) Long-term equity investments

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

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

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

**(a) Determination of investment cost**

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

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

##### (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 recognized 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 recognized 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 recognized. Any losses resulting from transactions between the Group and its investees attributable to asset impairment losses are not eliminated.

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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

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

##### (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 (18)).

#### (12) 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 recognized 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:

	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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in RMB Yuan unless otherwise stated)

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

#### (12) Investment properties (Continued)

An investment property is derecognized 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 recognized 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 (18)).

#### (13) 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 recognized 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 recognized 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 derecognized. All the other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (13) Fixed assets (Continued)

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

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(18)).

##### (d) Disposal of fixed assets

A fixed asset is derecognized 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 recognized in profit or loss for the current period.

#### (14) 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 (18)).

#### (15) 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 recognized 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 recognized amount of the borrowings.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (16) 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 recognized 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 recognized 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 45 – 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.

Expenditure on the research phase is recognized in profit or loss in the period in which it is incurred. Expenditure on the development phase is capitalized only if all of the following conditions are satisfied:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset, and use or sell it;
- it can be demonstrated how the intangible asset will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (16) Intangible assets (Continued)

##### (e) Research and development (Continued)

Other development expenditures that do not meet the conditions above are recognized in profit or loss in the period in which they are incurred. Development costs previously recognized as expenses are not recognized 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 (18)).

#### (17) Long-term prepaid expenses

Long-term prepaid expenses include the expenditures for improvements to right-of-use assets, and other expenditures that has been incurred but should be recognized 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.

#### (18) 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 recognized 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 recognized 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 recognized. 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 recognized, it will not be reversed for the value recovered in the subsequent periods.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (19) 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 recognized 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 recognized 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. During the accounting period in which employees provide services, the amount calculated in line with the above-mentioned proportion is recognized as liabilities and is included into profit or loss for the current period.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (19) 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 in 2016 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 recognized 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 recognized 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 employee benefits payable.

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

##### (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: when the Group cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; when the Group recognizes costs or expenses related to the restructuring that involves the payment of termination benefits.

###### **Early retirement benefits**

The Group offers early retirement benefits to those employees who accept early retirement arrangements. The early retirement benefits refer to the salaries and social security contributions to be paid to and for the employees who accept voluntary retirement before the normal retirement date prescribed by the State, as approved by the management. The Group pays early retirement benefits to those early retired employees from the early retirement date until normal retirement date. The Group accounts for the early retirement benefits in accordance with the treatment of termination benefits, in which the salaries and social security contributions to be paid to and for the early retired employees from the off-duty date to the normal retirement date are recognized 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 recognized in profit or loss in the period when occurred.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (19) Employee benefits (Continued)

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

###### *Early retirement benefits (Continued)*

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

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

#### (20) Dividend distribution

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

#### (21) Provisions

Provisions for product warranties, onerous contracts etc. are recognized 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 recognized 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 recognized by the Group on the basis of expected credit losses is recognized as an estimated liability.

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

#### (22) 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (22) Revenue recognition (Continued)

##### (a) Rendering of services

The corresponding revenue recognition methods are summarised as follows:

- Income from services is recognized based on the progress of completed services over a period of time, including stevedoring of goods (including metal ores, coal, crude oil, grains, break bulk cargo, containers), port management, logistics and transportation, tugboat and barging, ocean shipping tallying, construction and other services, which is determined based on proportion of costs incurred to date to the estimated total costs. On the balance sheet date, the Group re-estimates the progress of completed services to reflect the changes of the compliance with the contract.
- Income from stacking of goods like metal ores, coal, crude oil, grains, break bulk cargo, containers is recognized on the straight-line basis over the service period.

When the revenue is recognized according to the progress of completed services by the Group, the amounts with unconditional collection right obtained by the Group are recognized as accounts receivable, and the rest are recognized as contract assets. Meanwhile, loss provision for accounts receivable and contract assets is recognized based on ECL (Note 2 (9)). If the contract amount received or receivable exceeds the amount for the completed services, the difference is recognized as contract liabilities. Contract assets and contract liabilities under the same contract are presented on a net basis.

Contract costs include contract performance costs and contract acquisition costs. Costs for rendering of services are recognized as contract performance costs, and are carried forward to cost of sales from main operations according to the progress of services completed when the revenue is recognized. The Group will recognize the incremental costs incurred in obtaining the contracts as contract acquisition costs. If the carrying amount of contract costs exceeds the residual considerations expected to be obtained from the provision of the services less the costs expected to be incurred, the Group makes provision for impairment for the difference and recognizes it as assets impairment loss.

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

##### (b) Sale of goods

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



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
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### 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (23) 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.

Government grant is recognized 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 recognized 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 recognized 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 recognized 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.

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

Deferred tax assets and deferred tax liabilities are calculated and recognized based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognized 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 recognized for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognized 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 recognized 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (24) Deferred tax assets and deferred tax liabilities (Continued)

Deferred tax liabilities are recognized 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 recognized.

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.

#### (25) 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 recognizes 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 based on the sales amount is not included in the lease payment and is recognized 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 and initial direct costs on or before the beginning date of the lease period, 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.

For short-term leases with lease periods not exceeding 12 months and leases of low-value assets with low value, the Group chooses not to recognize the right-of-use assets and lease liabilities. And the related rental expense are either recognized over the period of the lease in current profit or loss or capitalized as part of the cost of related assets on a straight-line basis.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (25) Leases (Continued)

##### 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 recognized on the straight-line basis over the lease period.

##### (b) Finance leases

As at the beginning date of the lease period, the Group recognizes finance lease receivables for finance leases and derecognizes 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.

#### (26) 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 recognized 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 recognized 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.

#### (27) 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (28) Specific reserve

According to the regulations of the Ministry of Finance, Administration of Work Safety and relevant local government departments, the Group accrues specific reserve of safety production in light of the actual revenue of dangerous goods stacking and Container Freight Station (“CFS”) stevedoring, transportation service and construction services in the prior year.

Specific reserve is mainly for safety expenses on related business mentioned above.

The provision for specific reserve is recognized as relevant cost or profit or loss for the current period, and it is also included in specific reserve. The specific reserve is written down when withdrawal of safety fund is of expense expenditure. If it is capital expenditure, the expenditure incurred is recorded in construction in progress and recognized as fixed assets when the project is completed and is ready for the intended use, and meanwhile, specific reserve is written down at the cost of the fixed assets and accumulated depreciation is recognized at the same amount. Consequently, such fixed assets are not depreciated in subsequent periods.

#### (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.

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

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

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) *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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

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

##### (a) Critical accounting estimates and assumption (Continued)

###### (ii) *Actuarial calculation of early retirement and supplemental retirement benefits*

The liabilities recognized 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.

###### (iii) *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 during 2019.

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (31) Significant changes in accounting policies

The Ministry of Finance released the revised CAS 21 – Lease (hereinafter the “New Lease Standard”) in 2018. In 2019, the Ministry of Finance 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), the revised CAS 7 – Non-Monetary Assets Exchange (hereinafter the “Non-Monetary Assets Exchange Standard”) and CAS 12 – Debt restructuring (hereinafter the “Debt Restructuring Standard”). The financial statements for the year ended 31 December 2019 are prepared in accordance with the above circular. The revised Non-Monetary Assets Exchange Standard and Debt Restructuring Standard have no significant impact on the Group. The impacts of other amendments to the statements of the Group are as follows:

#### (a) Format of financial statements

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

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



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (31) 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 splits '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 splits '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)

##### (b) Lease

The Group and the Company initially adopted the new lease standard on 1 January 2019. According to relevant regulations, the Group and the Company would not reassess the contracts that have already existed prior to the date of initial application. The Group and the Company recognized the cumulative effect of the standard as an adjustment to the relevant line items in the financial statements. The comparatives for the year ended 31 December 2018 were not restated.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

## (31) Significant changes in accounting policies (Continued)

## (b) Lease (Continued)

(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	The amounts affected	
		1 January 2019	
		The Group	The Company
If the remaining lease term is more than 1 year, the Group and the Company recognize 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 recognize 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 recognize right-of-use assets and lease liabilities, which has no significant impact on the financial statements.

	The line items affected	The amounts 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 and construction in progress held under finance leases originally recognized in fixed assets and construction in progress to right-of-use assets, and reclassify payables for finance lease originally recognized 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	(68,548,706)	(25,843,958)
	-long-term payables		
Current portion of non-current liabilities	68,548,706	25,843,958	
-lease liabilities			

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (31) Significant changes in accounting policies (Continued)

##### (b) Lease (Continued)

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

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 recognized 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 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 recognized as at 1 January 2019 (Including Current portion of non-current liabilities) (Note 2 (31) (b) (i))	<u>668,337,661</u>	<u>120,046,397</u>

### 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%
Land use tax	Taxable revenue amount Actual size of the land occupied	3% and 5% RMB 3.2-11.2 per square meter per year
City maintenance and construction tax	Value added tax	7%
Educational surcharge	Value added tax	3%

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

### 3 TAXATION (Continued)

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

##### (a) Enterprise income tax

Pursuant to the ‘Circular on Enterprise Income Tax Policy concerning Deductions for Equipment and Appliances’ (Cai Shui [2018] 54) issued by the State Administration of Taxation, during the period from 1 January 2018 to 31 December 2020, the cost of newly purchased equipment with the original cost less than 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 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 VAT rate was adjusted from 16% to 13% and from 10% to 9% since 1 April 2019.

#### (2) Tax incentives

##### (a) Enterprise income tax

In 2019, the Company’s subsidiary Qingdao Port Technology Co., Ltd. (“Technology Company”) obtained the Certificate of High-tech Enterprises (Certificate No. GR201937100906) jointly issued by Qingdao Municipal Science and Technology Bureau, Qingdao Municipal Finance Bureau, State Administration of Taxation Qingdao Municipal Taxation Bureau. The certificate is valid for 3 years. According to the relevant provisions of Article 28 of the Enterprise Income Tax Law of the People’s Republic of China., the enterprise income tax rate applicable to Technology Company was 15% in 2019.

In accordance with Cai Shui [2008] No. 116 and Cai Shui [2008] No. 46, Datang Port Co., Ltd. (“Datang Port”), Qingdao Port Dongjiakou Multi-purpose Terminal Co., Ltd. (“DMT”) and Qingdao Haiye Mercuria Logistics Co., Ltd. (“Mercuria Logistics”), subsidiaries 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 Jiaonan State Taxation Bureau of Shandong Province. And it will enjoy a three-year exemption from enterprise income tax since the first year of earning operating income related to the port, followed by three years of 50% tax reduction. In 2019, Datang Port was qualified for 50% tax reduction for first year, DMT and Mercuria Logistics was qualified for tax exemption for the third year.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

### 3 TAXATION (Continued)

#### (2) Tax incentives (Continued)

##### (a) Enterprise income tax (Continued)

For the year ended 31 December 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 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 less 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 shall exceed RMB1 million but no more than 3 million shall be deducted into the taxable income by 50%, and the enterprise income tax shall be prepaid at the rate of 20%.

##### (b) VAT

Pursuant to relevant stipulations of the *Announcement on Relevant Policies for Deepening Value-Added Tax Reform* ([2019] No. 39) jointly issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs, and the *Announcement on Clarifying the Policies on Additional Value-added Tax Deduction Policy for Life Services* ([2019] No. 87) jointly issued by the Ministry of Finance and the State Administration of Taxation, Qingdao Port Properties Co., Ltd. (“Qingdao Port Properties”), a subsidiary of the Company engaged in the life service sector, is eligible for a 10% additional VAT deduction based on deductible input VAT in the current period from 1 April 2019 to 30 September 2019; a 15% additional VAT deduction from 1 October 2019 to 31 December 2021. Additionally, Qingdao Port International Logistics Co., Ltd. (“Qingdao Port Logistics”), Qingdao Port Jieyuntong Logistics Co., Ltd. (“Jieyuntong Logistics”), Qingdao Port Lianjie International Logistics Co., Ltd. (“Lianjie Logistics”), Qingdao Shengshi International Logistics Co., Ltd. (“Shengshi Logistics”), Ocean Tally Inspection, Qingdao Ocean Shipping Tally Co., Ltd. (“Ocean Shipping Tally”), Qingdao Port Eimskip Coldchain Logistics Co., Ltd. (“Eimskip Coldchain”), Qingdao Yongli Insurance Agency Co., Ltd. (“Yongli Insurance”), Technology Company, Qingdao Port Tongan Security Service Co., Ltd. (“Tongan Security”), subsidiaries of the Company engaged in the production service sector, are eligible for a 10% additional VAT deduction based on deductible input VAT in the current period from 1 April 2019 to 31 December 2021.

##### (c) Land use tax

For the year ended 31 December 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 ports (i.e berths, including quayside, deep-water floating quay, embankment, dam, etc.) is exempted from land use tax.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
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### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	31 December 2019	31 December 2018
Cash on hand	—	5,049
Cash at bank	<b>6,124,022,081</b>	7,143,019,665
Other cash balances	<b>722,377,766</b>	934,947,784
	<b><u>6,846,399,847</u></b>	<b><u>8,077,972,498</u></b>
Including: amounts deposited abroad	<b>195,570,450</b>	161,984,217

As at 31 December 2019, other cash balances include statutory deposit reserves in the People's Bank of China by Qingdao Finance amounted to RMB645,601,882 (31 December 2018: RMB865,122,560) according to relevant regulations, deposits for the issuance of bank acceptance notes amounted to RMB44,867,230 (31 December 2018: RMB35,444,084), deposits for the issuance of letter of credit amounted to RMB31,210,416 (31 December 2018: RMB23,694,560) and deposits for the issuance of letter of guarantee amounted to RMB698,238 (31 December 2018: RMB10,686,580).

#### (2) Financial assets held for trading

	31 December 2019	31 December 2018
Wealth management products (i)	<b>900,997,200</b>	875,000,000
Financial bonds (ii)	<b>51,675,953</b>	—
	<b><u>952,673,153</u></b>	<b><u>875,000,000</u></b>

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

(ii) As at 31 December 2019, the financial assets held for trading with a carrying amount of RMB51,675,953 were financial bonds of China Development Bank purchased by Qingdao Finance, a subsidiary of the Company, which would mature within one year.

The Group expects that there is no significant credit risk associated with the amounts and does not expect that there will be any significant losses from non-performance by banks and other financial institutions.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (3) Notes receivable

	<b>31 December 2019</b>	31 December 2018
Trade acceptance notes	<b>93,903,294</b>	68,630,097
Less: Bad debt provision (a)	<u><b>(4,695,165)</b></u>	<u>(3,431,505)</u>
	<u><b>89,208,129</b></u>	<u>65,198,592</u>

- (a) The Group measures the provision of notes receivable based on the lifetime ECL regardless of whether there is a significant financing component. As at 31 December 2019, the Group had no notes receivable with provision for impairment on individual basis.

The amount of bad debt provision accrued during the year was RMB1,263,660. The Group did not make any significant debt provision reversal or write-off for notes receivable during the year.

- (b) As at 31 December 2019 and 31 December 2018, the Group had no pledged acceptance notes.
- (c) As at 31 December 2019 and 31 December 2018, the Group had no trade acceptance notes that have been endorsed but not mature.

#### (4) Accounts receivable

	<b>31 December 2019</b>	31 December 2018
Accounts receivable	<b>2,504,148,910</b>	2,197,641,028
Less: Bad debt provision	<u><b>(166,415,834)</b></u>	<u>(129,105,702)</u>
	<u><b>2,337,733,076</b></u>	<u>2,068,535,326</u>

The Group's income 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 30 to 90 days.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (4) Accounts receivable (Continued)

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

	31 December 2019	31 December 2018
Within 1 year	2,302,958,916	2,054,374,493
1 to 2 years	173,084,593	123,010,857
2 to 3 years	16,776,392	7,147,776
3 to 4 years	—	3,099,707
4 to 5 years	1,320,814	1,384,483
More than 5 years	<u>10,008,195</u>	<u>8,623,712</u>
	<u>2,504,148,910</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.

(b) As at 31 December 2019, the total amount of top five accounts receivable is analysed as follows:

	Amount	Provision for bad debt	% of total balance
Total amount of top five accounts receivable	<u>1,207,938,413</u>	<u>(63,395,926)</u>	<u>48.24%</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (4) Accounts receivable (Continued)

##### (d) Bad debt provision

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

Bad debt provision of accounts receivable is classified and analysed as follows:

	31 December 2019			
	Book value		Bad debt provision	
	Amount	% of the total	Amount	Lifetime ECL rate
Bad debt provision on the individual basis (i)	23,563,043	0.94%	(20,317,373)	86.23%
Bad debt provision on the grouping basis Group D (ii)	2,480,585,867	99.06%	(146,098,461)	5.89%
	<u>2,504,148,910</u>	<u>100.00%</u>	<u>(166,415,834)</u>	
	31 December 2018			
	Book value		Bad debt provision	
	Amount	% of the total	Amount	Lifetime ECL rate
Bad debt provision on the individual basis	1,320,814	0.06%	(1,320,814)	100.00%
Bad debt provision on the grouping basis Group D (ii)	2,196,320,214	99.94%	(127,784,888)	5.82%
	<u>2,197,641,028</u>	<u>100.00%</u>	<u>(129,105,702)</u>	

- (i) As at 31 December 2019, the receivable due from Haikou Nanqing Container Liner Co., Ltd. (“Haikou Nanqing”) amounting to RMB1,320,814 and the receivable due from China Commercial Construction (Qingdao) Technology Development Co., Ltd. (“China Commercial Construction”) amounting to RMB22,242,229 are accrued bad debts based on the expected to be uncollectible portion individually due that the Group believes that the above receivables are difficult to recover because the above companies have declared bankruptcy or there are obvious signs of operating difficulties.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (4) Accounts receivable (Continued)

##### (d) Bad debt provision (Continued)

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

	31 December 2019		
	Ending balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Within 1 year	2,286,455,617	3.73%	(85,338,513)
1 to 2 years	167,345,663	23.06%	(38,582,849)
Over 2 years	26,784,587	82.80%	(22,177,099)
	<u>2,480,585,867</u>		<u>(146,098,461)</u>
	31 December 2018		
	Ending balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Within 1 year	2,054,374,493	5.00%	(102,718,725)
1 to 2 years	123,010,857	10.00%	(12,301,086)
Over 2 years	18,934,864	67.42%	(12,765,077)
	<u>2,196,320,214</u>		<u>(127,784,888)</u>

- (iii) For the year ended 31 December 2019, the provision for bad debts in the current year amounted to RMB37,310,132, and there are no reversal or written off for the current year.

- (e) As at 31 December 2019 and 31 December 2018, the Group had no pledged accounts receivable.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
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### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (5) Financing receivables

	<b>31 December 2019</b>	31 December 2018
Bank acceptance notes	<u><b>705,149,454</b></u>	<u>670,396,485</u>

- (a) The Group endorses or discounts part of the bank acceptance notes for its daily fund management purpose and meet the requirements for derecognition. 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 31 December 2019 and 31 December 2018, the Group had no pledged bank acceptance notes.
- (c) As at 31 December 2019, the bank acceptance notes that the Group has endorsed or discounted but have not yet expired amounted to RMB656,590,985 (31 December 2018: RMB609,199,949) and has been derecognized.

#### (6) Advances to suppliers

- (a) The ageing analysis of advances to suppliers is as follows:

	<u><b>31 December 2019</b></u>		<u>31 December 2018</u>	
	<b>Amount</b>	<b>% of total balance</b>	Amount	% of total balance
Within 1 year	<u><b>65,477,940</b></u>	<u><b>100.00%</b></u>	<u>81,694,054</u>	<u>100.00%</u>

- (b) As at 31 December 2019, the total amount of top five advances to suppliers is analysed as follows:

	<b>Amount</b>	<b>% of total balance</b>
Total amount of top five advances to suppliers	<u><b>35,542,066</b></u>	<u><b>54.28%</b></u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (7) Other receivables

	31 December 2019	31 December 2018
Receivables and advances of agent business (i)	1,113,252,681	949,837,560
Loans provided to related parties and third parties (ii)	573,511,898	697,589,806
Port construction fees receivable (iii)	65,504,377	51,560,550
Interests receivable	42,728,648	33,998,967
Deposits and guarantees	26,290,528	44,367,187
Others	35,416,411	42,329,320
	<u>1,856,704,543</u>	<u>1,819,683,390</u>
Less: Provision for bad debts	<u>(31,019,382)</u>	<u>(36,921,240)</u>
	<u>1,825,685,161</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 and funds borrowed from other financial institutions.
- (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) The ageing of other receivables based on their recording dates is analysed as follows:

	31 December 2019	31 December 2018
Within 1 year	1,844,161,506	1,796,673,062
1 to 2 years	5,522,124	14,232,569
2 to 3 years	2,847,658	4,614,910
3 to 4 years	2,776,149	3,972,721
4 to 5 years	1,237,126	133,028
More than 5 years	159,980	57,100
	<u>1,856,704,543</u>	<u>1,819,683,390</u>



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For the year ended 31 December 2019  
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### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (7) Other receivables (Continued)

##### (b) Loss provisions and the movement in the carrying balance

	<b>Stage 1</b>	
	<b>ECL over the next 12 months (on the grouping basis)</b>	
	<b>Amount</b>	<b>Provision for bad debts</b>
31 December 2018	1,819,683,390	(36,921,240)
Increase/Reversal in the current year	<u>37,021,153</u>	<u>5,901,858</u>
31 December 2019	<u><u>1,856,704,543</u></u>	<u><u>(31,019,382)</u></u>

As at 31 December 2019 and 31 December 2018, the Group did not have any other receivables for the provision of bad debts. The other receivables for the provision of bad debts are in the first stage.

	<u>31 December 2019</u>			<u>31 December 2018</u>		
	<u>Ending balance</u>	<u>Provision for bad debts</u>		<u>Ending balance</u>	<u>Provision for bad debts</u>	
	<u>Amount</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>Amount</u>	<u>%</u>
Group B						
Within 1 year	1,480,649,540	(11,035,951)	0.75%	1,442,544,973	(14,257,223)	0.99%
Group C						
Within 1 year	42,728,648	—	—	33,998,967	—	—
Group E						
Within 1 year	320,783,318	(16,039,166)	5.00%	320,129,122	(16,006,456)	5.00%
More than 1 years	<u>12,543,037</u>	<u>(3,944,265)</u>	31.45%	<u>23,010,328</u>	<u>(6,657,561)</u>	28.93%
	<u><u>1,856,704,543</u></u>	<u><u>(31,019,382)</u></u>		<u><u>1,819,683,390</u></u>	<u><u>(36,921,240)</u></u>	

- (c) The provision for bad debts reversed in the current year amounted to RMB5,901,858, which was provided on the grouping basis. There were no written off of the Group's provision for bad debts for the current year.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (7) Other receivables (Continued)

(d) As at 31 December 2019, top five other receivables are analysed as follows:

	Nature	Amount	Ageing	% of total	Provision for bad debts
Qingdao Port Dongjiakou Ore Terminal Co., Ltd.	Loans and others	327,049,959	Within 1 year	17.61%	(6,852,672)
Qingdao Zhongjiao Ruichi International Trade Co., Ltd.	Receivables of procurement agent business	130,271,063	Within 1 year	7.02%	(321,900)
Jiangsu Heruisheng Metal Resources Co., Ltd.	Receivables of procurement agent business	113,282,730	Within 1 year	6.10%	(279,922)
Qingdao Xinqianwan Container Terminal Co., Ltd. ("QQCTN")	Loans and others	103,766,162	Within 1 year	5.59%	(1,417,498)
Dongying Lufang Metal Material Co., Ltd.	Receivables of procurement agent business	86,518,469	Within 1 year	4.66%	(213,787)
		<u>760,888,383</u>		<u>40.98%</u>	<u>(9,085,779)</u>

(e) As at 31 December 2019 and 31 December 2018, the Group has no other receivables recognized in accordance with the government grants receivable.

(f) As at 31 December 2019, other receivables of the Group with a carrying amount of RMB8,747,455 (31 December 2018: RMB37,577,600) was pledged as collateral for short-term borrowings of RMB6,970,000 (31 December 2018: RMB23,778,780) (Note 4(22) (a)).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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:

	31 December 2019			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	173,162,964	—	173,162,964	153,752,740	—	153,752,740
Spare parts	4,784,354	—	4,784,354	4,709,242	—	4,709,242
Fuel	25,363,816	—	25,363,816	3,958,862	—	3,958,862
Others	5,449,752	—	5,449,752	12,302,222	—	12,302,222
	<u>208,760,886</u>	<u>—</u>	<u>208,760,886</u>	<u>174,723,066</u>	<u>—</u>	<u>174,723,066</u>

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

	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019
Materials and finished goods	153,752,740	1,358,245,618	(1,338,835,394)	173,162,964
Spare parts	4,709,242	26,619,529	(26,544,417)	4,784,354
Fuel	3,958,862	323,845,467	(302,440,513)	25,363,816
Others	12,302,222	74,934,073	(81,786,543)	5,449,752
	<u>174,723,066</u>	<u>1,783,644,687</u>	<u>(1,749,606,867)</u>	<u>208,760,886</u>

(c) As at 31 December 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 year ended 31 December 2019  
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### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (9) Contract assets

	<b>31 December 2019</b>	31 December 2018
Contract assets	<b>208,607,428</b>	302,144,963
Less: provision for contract assets	<b><u>(13,984,735)</u></b>	<u>(21,172,441)</u>
	<b><u>194,622,693</u></b>	<u>280,972,522</u>

The Group measures the provision for contract assets based on the lifetime ECL regardless of whether there exists a significant financing component. As at 31 December 2019 and 2018, the Group had no contract assets with provision for impairment on individual basis.

#### (10) Other current assets

	<b>31 December 2019</b>	31 December 2018
Certificates of interbank deposits (i)	<b>4,382,429,400</b>	994,160,000
Financial assets held under resale agreement (ii)	<b>1,601,446,334</b>	2,379,192,650
VAT input to be deducted	<b>230,330,634</b>	399,894,504
Income certificates	<b>—</b>	130,000,000
	<b><u>6,214,206,368</u></b>	<u>3,903,247,154</u>

(i) The amounts were interbank deposits purchased within 1 year 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, certificates of interbank deposits are not exposed to significant credit risks and will not cause significant credit losses due to bank default. As at 31 December 2019, the original value of the interbank deposits was RMB4,367,606,300 and changes in fair value recorded in other comprehensive income was RMB14,823,100.

(ii) The amounts were bonds purchased by Qingdao Finance, a subsidiary of the Company, in the current year, which were issued by banks and other financial institutions. Such amounts will be resold to the aforementioned institutions 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 is not exposed to 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 the effective interest rate method.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
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### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (11) Long-term receivables

	31 December 2019	31 December 2018
Loans provided to related parties (i)	1,336,799,281	2,035,653,884
Financing leases to related parties (ii)	688,998,556	—
Less: current portion	(457,290,407)	(383,189,720)
Others	—	1,720,653
	<u>1,568,507,430</u>	<u>1,654,184,817</u>
Loans and financing leases impairment provision	(51,412,185)	(57,181,649)
Less: current portion	11,536,281	9,077,313
	<u>(39,875,904)</u>	<u>(48,104,336)</u>
	<u>1,528,631,526</u>	<u>1,606,080,481</u>

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

(ii) The provision of finance lease to related parties is finance lease services provided by Qingdao Finance, a subsidiary of the Company, to related parties. The finance lease and related 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

	Stage 1	
	ECL over the next 12 months	
	Amount	Provision for bad debt
31 December 2018	2,037,374,537	(57,181,649)
Reverse in the current year	(11,576,700)	5,769,464
31 December 2019	<u>2,025,797,837</u>	<u>(51,412,185)</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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)

As at 31 December 2019 and 31 December 2018, the Group did not have any long-term receivables for the provision of bad debts. The other receivables for the provision of bad debts are in the first stage.

	31 December 2019			31 December 2018		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
	Amount	Amount	% of total balance	Amount	Amount	% of total balance
Group B						
Within 1 year	2,025,797,837	(51,412,185)	2.54%	2,035,653,884	(57,181,649)	2.81%
Group E						
Within 1 year	—	—	—	1,720,653	—	—
	<u>2,025,797,837</u>	<u>(51,412,185)</u>		<u>2,037,374,537</u>	<u>(57,181,649)</u>	

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

	31 December 2019	31 December 2018
Joint ventures (a)	8,810,888,278	8,631,839,092
Associates (b)	<u>328,241,918</u>	<u>193,417,721</u>
	<u>9,139,130,196</u>	<u>8,825,256,813</u>

As at 31 December 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 year ended 31 December 2019  
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### 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 year					31 December 2019
		Increase 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	—	861,706,208	8,195,995	(792,889,894)	(28,302,346)	5,418,699,228
Qingdao Shihua Crude Oil Terminal Co., Ltd. ("Qingdao Shihua")	1,357,662,527	—	391,092,378	—	(400,000,000)	1,751,933	1,350,506,838
Qingdao Qianwan West Port United Terminal Co., Ltd. ("West United") (ii)	378,022,867	—	29,879,936	—	(10,200,000)	(1,633,137)	396,069,666
Weihai Qingwei Container Terminal Co., Ltd. ("Qingwei Container")	116,204,442	—	22,662,491	(49,000)	—	—	138,817,933
Qingdao Evergreen Container Storage and Transportation Co., Ltd. ("Evergreen Container")	50,692,300	—	15,695,562	437,829	(21,457,807)	—	45,367,884
Qingdao Orient International Container Storage and Transportation Co., Ltd. ("Orient Container")	45,637,143	—	4,647,191	—	(7,254,681)	—	43,029,653
Qingdao Haiwan Liquid Chemical Port Operation Co., Ltd. ("Haiwan Liquid Chemical")	148,950,063	—	6,540,771	—	—	—	155,490,834
Qingdao Ganghai International Logistics Co., Ltd. ("Ganghai Logistics")	34,431,315	—	8,775,290	—	—	—	43,206,605
Qingdao Shenzhouxing International Transportation Co., Ltd. ("Shenzhouxing Cargo Agency")	20,044,682	—	7,270,472	—	—	—	27,315,154
China Shipping Agency (Qingdao) Co., Ltd. ("China Shipping Agency")	8,468,407	—	896,336	—	—	—	9,364,743
Qingdao United International Shipping Agency Co., Ltd. ("United Shipping Agency")	28,581,166	—	1,597,314	—	(1,121,560)	—	29,056,920
Huaneng Qingdao Port Operation Co., Ltd. ("Huaneng Qingdao")	141,366,590	—	(13,414,669)	—	—	—	127,951,921
Qingdao Port Dongjiakou IMC Logistics Co., Ltd. ("Dongjiakou IMC Logistics") (iii)	70,351,717	—	25,019,484	—	—	—	95,371,201
Qingdao Port Dongjiakou Ore Terminal Co., Ltd. ("QDOT")	691,031,486	—	22,248,425	—	—	(6,630,946)	706,648,965
Qingdao Port Express Logistics (Linyi) Co., Ltd. ("Linyi Express")	4,143,513	—	48,270	—	—	—	4,191,783
Sinotrans Qingdao Port Dongjiakou Logistics Co., Ltd. ("Dongjiakou Sinotrans Logistics")	50,496,966	—	1,011,069	—	—	—	51,508,035
Qingdao Port Lianrong Logistics Co., Ltd. ("Lianrong Logistics")	8,586,060	—	2,743,672	—	(3,245,384)	—	8,084,348
Binzhou Port QDP International Terminal Co., Ltd. ("Binzhou Port QDP International Terminal")	13,333,523	—	7,145,853	—	(8,296,045)	—	12,183,331
Qingdao PetroChina Storage Company Limited ("PetroChina Storage")	93,415,311	53,584,689	(311,796)	—	—	—	146,688,204
Ocean Bridge International Port Operation and Management Co., Ltd. ("Ocean Bridge International")	429,749	—	905,283	—	—	—	1,335,032
	<u>8,631,839,092</u>	<u>53,584,689</u>	<u>1,396,159,540</u>	<u>8,584,824</u>	<u>(1,244,465,371)</u>	<u>(34,814,496)</u>	<u>8,810,888,278</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
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### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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### 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 year			31 December 2019
		Increase/ decrease in investment	Share of net profit/(loss) under equity method	Cash dividends/ profit declared	
Qingdao Ganghua Logistics Co., Ltd. ("Ganghua Logistics") (i)	7,809,545	(5,001,656)	(1,242,047)	(1,565,842)	—
Qingdao Qingyin Financial Leasing Co., Ltd. ("Qingyin Financial Leasing")	94,322,008	—	9,262,412	—	103,584,420
Qingdao Port Lianhai International Logistics Co., Ltd. ("Lianhai Logistics") (ii)	16,292,971	—	1,984,072	(1,163,674)	17,113,369
Vado Investment	74,993,197	—	—	—	74,993,197
Unitrans Group Co., Ltd. ("Unitrans") (iii)	—	128,218,100	9,858,335	(5,525,503)	132,550,932
	<u>193,417,721</u>	<u>123,216,444</u>	<u>19,862,772</u>	<u>(8,255,019)</u>	<u>328,241,918</u>

- (i) As at September 2019, Ganghua Logistics completed the nullification and liquidation, and the long-term equity investment was derecognized.
- (ii) On 2 January 2018, Qingdao Port International Logistics Co., Ltd. ("QDP Logistics"), a subsidiary of the Company, and COSCO Shipping 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, COSCO Shipping Logistics only had significant influence on Lianhai Logistics 2018 and 2019, which is accounted for as an associate.
- (iii) 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

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

#### (13) Other non-current financial assets

	31 December 2019	31 December 2018
Investments in financial assets at fair value through profit or loss		
Financial bonds (i)	465,888,977	135,372,690
Equity investments (ii)	72,207,877	72,207,877
Non-principal-guaranteed floating income wealth management products	—	61,000,000
	<u>538,096,854</u>	<u>268,580,567</u>

- (i) Other non-current financial assets with a carrying amount of RMB465,888,977 were mainly bank financial bonds purchased by Qingdao Finance Company, a subsidiary of the Company. As assessed by the Group, the amount is not exposed to significant credit risks and will not cause significant credit 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 stock limited, Sinopec Qingdao Liquefied Natural Gas Co., Ltd. (“LNG”) and Sanya Yalong Bay Development Co., Ltd. (“Sanya Yalong Bay”) with shareholding of 10%, 1% and 0.06% respectively, over which the Group has no control, joint control or significant influence. The Group has no plan to dispose these investments and they are measured at fair value through profit or loss. In 2019, the Company received cash dividends of RMB11,214,100 and RMB58,500 from LNG and Sanya Yalong Bay respectively (In 2018: RMB3,640,000 and RMB58,500 respectively).

#### (14) Investment properties

	Buildings	Land use rights	Total
Cost			
31 December 2018	38,250,915	175,111,934	213,362,849
Transfer to intangible assets	—	(14,691,302)	(14,691,302)
Transfer from fixed assets	6,560,347	—	6,560,347
	<u>44,811,262</u>	<u>160,420,632</u>	<u>205,231,894</u>
31 December 2019	<u>44,811,262</u>	<u>160,420,632</u>	<u>205,231,894</u>
Accumulated depreciation			
31 December 2018	(6,563,368)	(17,962,905)	(24,526,273)
Increase in the current year	(1,357,424)	(3,240,266)	(4,597,690)
Transfer to intangible assets	—	1,491,559	1,491,559
Transfer from fixed assets	(504,605)	—	(504,605)
	<u>(8,425,397)</u>	<u>(19,711,612)</u>	<u>(28,137,009)</u>
31 December 2019	<u>(8,425,397)</u>	<u>(19,711,612)</u>	<u>(28,137,009)</u>
Net book value			
31 December 2019	<u>36,385,865</u>	<u>140,709,020</u>	<u>177,094,885</u>
31 December 2018	<u>31,687,547</u>	<u>157,149,029</u>	<u>188,836,576</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (14) Investment properties (Continued)

	Buildings	Land use rights	Total
Cost			
31 December 2017	38,250,915	174,642,318	212,893,233
Transfer from intangible assets	—	469,616	469,616
	<u>38,250,915</u>	<u>175,111,934</u>	<u>213,362,849</u>
31 December 2018	<u>38,250,915</u>	<u>175,111,934</u>	<u>213,362,849</u>
Accumulated depreciation			
31 December 2017	(5,205,943)	(14,390,845)	(19,596,788)
Increase in the current year	(1,357,425)	(3,566,739)	(4,924,164)
Transfer from intangible assets	—	(5,321)	(5,321)
	<u>(6,563,368)</u>	<u>(17,962,905)</u>	<u>(24,526,273)</u>
31 December 2018	<u>(6,563,368)</u>	<u>(17,962,905)</u>	<u>(24,526,273)</u>
Net book value			
31 December 2018	<u>31,687,547</u>	<u>157,149,029</u>	<u>188,836,576</u>
31 December 2017	<u>33,044,972</u>	<u>160,251,473</u>	<u>193,296,445</u>

As at 31 December 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 year ended 31 December 2019 and 2018, no interest expenses were capitalized in investment properties by the Group.

As at 31 December 2019, investment properties with the net book value of RMB6,055,742 and cost of RMB6,560,347 (31 December 2018: the net book value of RMB1,818,014 and cost of RMB1,948,060) are without certificates due to locating on lands that do not belong to the Group.

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For the year ended 31 December 2019  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (15) Fixed assets

	Buildings	Port facilities	Storage facilities	Loading equipment	Machinery and equipment	Vessels	Motor vehicles	Communication facilities	Office and other equipment	Total
<b>Cost</b>										
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(31)(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 year										
Transfer from construction in progress	243,702,202	978,589,602	126,624,676	38,238,190	5,445,328	2,427,601	—	6,830,503	—	1,401,858,102
Purchase in the current year	—	1,354,253	7,776,080	68,509,026	29,525,605	—	9,218,500	7,579,309	6,772,088	130,734,861
Transfer from right-of-use assets	—	64,819,990	10,996,527	8,133,171	—	—	—	—	—	83,949,688
Decrease in the current year										
Disposal and discarding	(5,195,413)	(479,845)	(167,569)	(12,352,405)	(4,139,936)	—	(4,545,030)	(1,884,024)	(1,031,963)	(29,796,185)
Transfer to investment properties	(6,560,347)	—	—	—	—	—	—	—	—	(6,560,347)
Others (i)	—	(14,517,608)	(86,523,487)	—	—	—	—	—	—	(101,041,095)
31 December 2019	818,569,550	10,362,041,433	5,230,197,779	2,874,750,171	830,005,381	1,475,164,071	119,987,908	172,746,147	78,023,223	21,961,485,663
<b>Accumulated depreciation</b>										
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(31)(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 year										
Provision	(22,010,915)	(240,982,628)	(185,979,358)	(104,580,649)	(51,812,892)	(63,770,287)	(7,865,209)	(22,175,034)	(4,176,826)	(703,353,798)
Transfer from right-of-use assets	—	(4,342,940)	(2,155,319)	(1,834,041)	—	—	—	—	—	(8,332,300)
Decrease in the current year										
Disposal and discarding	443,397	34,841	47,716	10,455,258	3,750,905	—	3,809,800	1,018,365	908,424	20,468,706
Transfer to investment properties	504,605	—	—	—	—	—	—	—	—	504,605
Others (i)	—	757,621	3,423,363	—	—	—	—	—	—	4,180,984
31 December 2019	(231,537,703)	(2,342,156,773)	(1,033,709,960)	(2,455,218,659)	(620,968,128)	(691,553,129)	(83,315,037)	(121,659,755)	(40,031,185)	(7,620,150,329)
<b>Net book value</b>										
31 December 2019	587,031,847	8,019,884,660	4,196,487,819	419,531,512	209,037,253	783,610,942	36,672,871	51,086,392	37,992,038	14,341,335,334
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



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (15) Fixed assets (Continued)

	Buildings	Port facilities	Storage facilities	Loading equipment	Machinery and equipment	Vessels	Motor vehicles	Communication facilities	Office and other equipment	Total
<b>Cost</b>										
31 December 2017	555,161,789	8,998,502,836	4,574,463,013	2,840,054,764	720,039,691	1,374,408,363	98,996,201	142,844,090	66,342,414	19,370,813,161
Increase in the current year										
Business combinations not under common control	—	—	—	17,257,323	22,816	—	456,450	—	16,683	17,753,272
Transfer from construction in progress	30,115,537	600,776,932	651,346,308	6,907,014	30,843,330	—	—	9,755,124	59,442	1,329,803,687
Purchase in the current year	1,345,782	887,119	1,295,838	71,400,475	50,737,310	189,767,762	16,982,148	8,660,700	6,712,652	347,789,786
Decrease in the current year										
Disposal and discarding	—	—	—	(25,681,570)	(2,468,763)	—	(1,120,361)	(1,039,555)	(848,093)	(31,158,342)
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
<b>Accumulated depreciation</b>										
31 December 2017	(189,178,404)	(1,877,459,838)	(688,682,876)	(2,299,613,484)	(526,368,525)	(566,474,760)	(71,488,108)	(82,702,491)	(34,188,972)	(6,336,157,458)
Increase in the current year										
Provision	(21,296,386)	(236,185,035)	(161,067,264)	(126,105,735)	(48,726,306)	(61,308,082)	(8,269,968)	(18,765,545)	(3,377,337)	(685,101,658)
Decrease in the current year										
Disposal and discarding	—	—	—	22,661,515	2,188,690	—	498,448	964,950	803,526	27,117,129
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)
<b>Net book value</b>										
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
31 December 2017	365,983,385	7,121,042,998	3,885,780,137	540,441,280	193,671,166	807,933,603	27,508,093	60,141,599	32,153,442	13,034,655,703

- (i) In the previous year, the Group obtained certain sea area use right in Qingdao Dongjiakou Port Area and completed land reclamation. The related land backfill costs on the Reclamation Land and sea area use right transfer fees were recognised in “fixed assets”, “construction in progress” and “Intangible assets – sea area use right”. The Group reached the “Agreement of countermand of reclaimed land” (“the Agreement”) with the Land and Resources Administration of Huangdao District, Qingdao City (“Land and Resources Bureau”). Pursuant to the agreement, the Land and Resources Bureau would countermand the aforesaid sea area usage right and transferred it into land use right to the Group, thus it would charge the Group for land use right transfer fee but make compensation of land backfill costs to the Group. In 2019, the Group has obtained the land use rights certificates in the above areas and received part of the reclaimed land reclamation costs.

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

#### (15) Fixed assets (Continued)

The book value of fixed assets leased out by the Group through operating leases 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
31 December 2019	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)
Provision	(1,325,752)	(62,996,066)	(23,857,235)	—	(88,179,053)
31 December 2019	(7,954,512)	(362,298,188)	(138,094,097)	(86,194)	(508,432,991)
Net book value					
31 December 2019	19,029,849	1,824,969,079	786,823,748	7,729	2,630,830,405
31 December 2018	20,355,601	1,887,965,145	810,680,983	7,729	2,719,009,458

The lease contracts of houses and buildings, port facilities, storage facilities and other equipment signed by the Group as lessor have no residual value guarantee clauses.

The depreciation amount for fixed assets for the year ended 31 December 2019 is RMB703,353,798 (For the year ended 31 December 2018: RMB685,101,658). The amounts of depreciation expenses charged to cost of sales and general expenses were RMB680,417,047 and RMB22,936,751 respectively (For the year ended 31 December 2018: RMB664,293,326 and RMB20,808,332).

For the year ended 31 December 2019, the costs of fixed assets transferred from construction in progress amount to RMB1,401,858,102 (For the year ended 31 December 2018: RMB1,329,803,687).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (15) Fixed assets (Continued)

- (a) As at 31 December 2019 and 31 December 2018, there is no mortgaged fixed assets in the Group.
- (b) As at 31 December 2019 and 31 December 2018, the Group considered that there was no indication that the fixed assets may be impaired, therefore no provision for impairment was required.
- (c) As at 31 December 2019 and 31 December 2018, there were no temporarily idle fixed assets.
- (d) Fixed assets that have not received a certificate of property right:

As at 31 December 2019, properties with a book value of RMB9,122,178 (Cost: RMB10,107,873) (As at 31 December 2018: book value of RMB9,446,212, Cost: RMB10,107,873) are located on non-owned land with a book value of RMB242,371,578 (Cost: RMB243,210,171) (As at 31 December 2018: Nil). The financial statements for the completion of the project have not yet been processed, so the property right certificate has not yet been processed.

#### (16) Construction in progress

	31 December 2019			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	1,633,252,741	—	1,633,252,741	1,159,351,667	—	1,159,351,667
Dongjiakou bulk cargo berths and storage yard project	663,305,860	—	663,305,860	786,900,531	—	786,900,531
Other projects	214,055,542	—	214,055,542	151,560,642	—	151,560,642
	<u>2,510,614,143</u>	<u>—</u>	<u>2,510,614,143</u>	<u>2,097,812,840</u>	<u>—</u>	<u>2,097,812,840</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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	Changes in accounting policies		Increase in the current year	Transfer to fixed assets	Other decrease in the current year	Percentage of project investment among budget	Progress of the project	Accumulative amount of capitalized borrowing costs	Including: Borrowing costs capitalized in the current year	Capitalization rate in the current year	Sources of capital
		31 December 2018	1 January 2019									
Dongjiakou stevedoring, storage and transportation projects for liquid bulk cargo	4,939,650,000	1,159,351,667	(56,593,680)	1,102,758,037	(1,101,563,842)	—	62%	62%	—	—	—	Internal capital
Dongjiakou bulk cargo berths and storage yard project	1,683,790,000	786,900,551	—	79,085,475	(117,302,446)	(85,377,700)	77%	77%	30,669,865	921,485	4.90%	Internal capital and bank loan
Other projects	151,560,642	—	—	151,560,642	(182,991,814)	—	—	—	—	—	—	Internal capital
		<u>2,097,812,840</u>	<u>(56,593,680)</u>	<u>2,041,219,210</u>	<u>(1,401,858,102)</u>	<u>(85,377,700)</u>	<u>2,510,614,143</u>		<u>30,669,865</u>	<u>921,485</u>		
Project name	Budget	31 December 2017	Increase in the current year	Transfer to fixed assets	31 December 2018	Percentage of project investment among budget	Progress of the project	Accumulative amount of capitalized borrowing costs	Including: Borrowing costs capitalized in the current year	Capitalization rate in the current year	Sources of capital	
Dongjiakou stevedoring, storage and transportation projects for liquid bulk cargo	5,039,650,000	1,333,039,064	979,044,519	(1,152,731,916)	1,159,351,667	48%	48%	3,942,351	3,942,351	5.27%	Internal capital and bank loan	
Dongjiakou bulk cargo berths and storage yard project	1,683,790,883,000	778,185,935	139,493,250	(130,778,654)	786,900,331	72%	72%	29,748,381	1,151,853	4.90%	Internal capital and bank loan	
Other projects		<u>52,761,569</u>	<u>145,092,190</u>	<u>(46,293,117)</u>	<u>151,560,642</u>							
		<u>2,163,986,568</u>	<u>1,263,629,959</u>	<u>(1,329,803,687)</u>	<u>2,097,812,840</u>			<u>33,690,732</u>	<u>5,097,204</u>			

As at 31 December 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 year ended 31 December 2019  
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### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (17) Right-of-use assets

	Buildings	Port facilities	Storage facilities	Loading equipment	Vessel	Total
Cost						
31 December 2018	—	—	—	—	—	—
Changes in accounting policies (Note 2(31)(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 year						
New lease contracts	1,871,306	2,648,871	15,689,048	5,881,422	—	26,090,647
Decrease in the current year						
Lease change	—	(64,819,990)	(10,996,527)	(8,133,171)	—	(83,949,688)
31 December 2019	1,871,306	262,314,357	171,378,705	135,464,068	91,439,655	662,468,091
Accumulated depreciation						
31 December 2018	—	—	—	—	—	—
Changes in accounting policies (Note 2 (31)(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 year						
Provision	(259,904)	(12,544,801)	(37,202,737)	(14,088,825)	(4,825,982)	(68,922,249)
Decrease in the current year						
Lease change	—	4,342,940	2,155,319	1,834,041	—	8,332,300
31 December 2019	(259,904)	(24,223,067)	(35,751,196)	(56,053,261)	(4,825,982)	(121,113,410)
Net book value						
31 December 2019	1,611,402	238,091,290	135,627,509	79,410,807	86,613,673	541,354,681
31 December 2018	—	—	—	—	—	—

## NOTES TO THE FINANCIAL STATEMENTS

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## 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 year					
Purchase	564,708,386	4,385,594	—	—	569,093,980
Internal research and development	—	13,866,760	—	—	13,866,760
Transfer from investment properties	14,691,302	—	—	—	14,691,302
Decrease in the current year					
Cost reimbursement for sea reclamation (Note 4(15))	—	—	(39,748,750)	—	(39,748,750)
Disposal	(183,333)	—	—	—	(183,333)
31 December 2019	2,565,864,495	113,512,362	76,548,790	50,178,663	2,806,104,310
Accumulated amortization					
31 December 2018	(90,053,317)	(44,115,357)	(9,091,795)	(35,269,808)	(178,530,277)
Increase in the current year					
Provision	(42,200,619)	(14,383,061)	(1,362,856)	(3,006,250)	(60,952,786)
Transfer from investment properties	(1,491,559)	—	—	—	(1,491,559)
Decrease in the current year					
Cost reimbursement for sea reclamation (Note 4(15))	—	—	3,261,261	—	3,261,261
Disposal	16,667	—	—	—	16,667
31 December 2019	(133,728,828)	(58,498,418)	(7,193,390)	(38,276,058)	(237,696,694)
Book value					
31 December 2019	2,432,135,667	55,013,944	69,355,400	11,902,605	2,568,407,616
31 December 2018	1,896,594,823	51,144,651	107,205,745	14,908,855	2,069,854,074



## NOTES TO THE FINANCIAL STATEMENTS

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

#### (18) Intangible assets (Continued)

	Land use right	Software	Sea area use right	Others	Total
Cost					
31 December 2017	827,644,325	57,148,657	116,297,540	50,178,663	1,051,269,185
Increase in the current year					
Purchase	1,229,039,804	4,036,676	—	—	1,233,076,480
Internal research and development	—	33,975,618	—	—	33,975,618
Business combinations not under common control	—	99,057	—	—	99,057
Decrease in the current year					
Transfer to investment properties	(469,616)	—	—	—	(469,616)
Capitalizing on intangible assets	(69,566,373)	—	—	—	(69,566,373)
31 December 2018	1,986,648,140	95,260,008	116,297,540	50,178,663	2,248,384,351
Accumulated amortization					
31 December 2017	(57,048,044)	(33,807,597)	(6,125,830)	(32,263,558)	(129,245,029)
Increase in the current year					
Provision	(36,054,085)	(10,307,760)	(2,965,965)	(3,006,250)	(52,334,060)
Decrease in the current year					
Transfer to investment properties	5,321	—	—	—	5,321
Capitalizing on intangible assets	3,043,491	—	—	—	3,043,491
31 December 2018	(90,053,317)	(44,115,357)	(9,091,795)	(35,269,808)	(178,530,277)
Book value					
31 December 2018	1,896,594,823	51,144,651	107,205,745	14,908,855	2,069,854,074
31 December 2017	770,596,281	23,341,060	110,171,710	17,915,105	922,024,156

For the year ended 31 December 2019, the amount of amortization for intangible assets is RMB60,952,786 (For the year ended 31 December 2018: RMB52,334,060), the amount of amortization cost of land use rights recorded in construction in progress is RMB1,190,806. (For the year ended 31 December 2018: RMB902,466).

As at 31 December 2019, the land use right with a book value of RMB141,114,331 (Cost: RMB141,804,988) was newly purchased land, which is still in the process of certificate application (As at 31 December 2018 the Group has no unlicensed land right of use).

As at 31 December 2019 and 31 December 2018, there are no pledged land use rights.

As at 31 December 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.

## NOTES TO THE FINANCIAL STATEMENTS

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

#### (18) Intangible assets (Continued)

The Group's Development expenses are as follows:

	31 December 2018	Increase in current year	Decrease in the current year		31 December 2019
			Recorded in profit and loss	Recognized as intangible assets	
Software	—	38,641,507	(24,774,747)	(13,866,760)	—
Patented technology	—	3,563,410	(3,563,410)	—	—
Other	—	5,425,970	(5,425,970)	—	—
	—	47,630,887	(33,764,127)	(13,866,760)	—

For the year ended 31 December 2019, the Group's research and development expenses amounted to RMB47,630,887 (For the year ended 31 December 2018: RMB73,703,814), of which RMB33,764,127 (For the year ended 31 December 2018: RMB39,728,196) was charged in profit and loss for the current year, of which RMB13,866,760 (For the year ended 31 December 2018: RMB33,975,618) was recognized as intangible assets. As at 31 December 2019, the intangible assets developed by the Group accounted for 1.86% (31 December 2018: 1.64%) of the carrying amount of the total intangible assets.

## NOTES TO THE FINANCIAL STATEMENTS

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

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

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

	31 December 2019		31 December 2018	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Assets revaluation surplus	2,859,155,888	714,788,972	2,937,993,264	734,498,316
Early retirement benefits	63,420,000	15,855,000	85,930,000	21,482,500
Elimination of intra-group unrealized profit	375,004,588	93,751,147	327,699,192	81,924,798
Provision for asset impairment	225,453,220	55,983,554	263,109,929	66,777,712
Accrued expenses	34,100,380	8,525,095	66,678,896	16,669,724
Deductible losses	46,912,100	11,728,025	13,593,676	3,398,419
Government grant	86,403,257	21,600,814	71,545,404	17,886,351
	<u>3,690,449,433</u>	<u>922,232,607</u>	<u>3,766,550,361</u>	<u>942,637,820</u>
Including:				
Expected to be recovered within one year (inclusive)		32,290,612		38,164,745
Expected to be recovered after one year		<u>889,941,995</u>		<u>904,473,075</u>
		<u>922,232,607</u>		<u>942,637,820</u>

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

#### (19) Deferred tax assets and deferred tax liabilities (Continued)

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

	31 December 2019		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
Depreciation of fixed assets	49,467,094	12,366,774	40,565,466	9,788,926
Changes in fair value of wealth management products	14,011,388	3,502,847	5,014,902	1,253,726
	<u>152,660,230</u>	<u>38,165,058</u>	<u>136,527,536</u>	<u>33,779,444</u>
Including:				
Expected to be recovered within one year (inclusive)		6,760,082		3,205,792
Expected to be recovered after one year		<u>31,404,976</u>		<u>30,573,652</u>
		<u>38,165,058</u>		<u>33,779,444</u>

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

	31 December 2019	31 December 2018
Deductible temporary differences	18,996,560	—
Deductible losses	<u>168,376,188</u>	<u>113,160,166</u>
	<u>187,372,748</u>	<u>113,160,166</u>

## NOTES TO THE FINANCIAL STATEMENTS

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

#### (19) Deferred tax assets and deferred tax liabilities (Continued)

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

	31 December 2019	31 December 2018
2020	—	—
2021	9,341,894	10,083,203
2022	39,944,152	39,944,152
2023	65,652,162	63,132,811
2024	53,437,980	—
	<u>168,376,188</u>	<u>113,160,166</u>

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

	31 December 2019		31 December 2018	
	Offsetting amount	Amount after offsetting	Offsetting amount	Amount after offsetting
Deferred tax assets	(15,869,621)	906,362,986	(33,779,444)	908,858,376
Deferred tax liabilities	(15,869,621)	22,295,437	(33,779,444)	—

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For the year ended 31 December 2019  
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### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (20) Provision for asset impairment

	31 December 2018	Increase in the current year	Decrease in the current year		31 December 2019
			Reversal	Write-off	
Provision for bad debts of notes receivables	3,431,505	1,263,660	—	—	<b>4,695,165</b>
Including: Provision for bad debts on the individual basis	—	—	—	—	—
Provision for bad debts on the grouping basis	3,431,505	1,263,660	—	—	<b>4,695,165</b>
Provision for bad debts of accounts receivable	129,105,702	37,310,132	—	—	<b>166,415,834</b>
Including: Provision for bad debts on the individual basis	1,320,814	18,996,559	—	—	<b>20,317,373</b>
Provision for bad debts on the grouping basis	127,784,888	18,313,573	—	—	<b>146,098,461</b>
Provision for bad debts of other receivables	36,921,240	—	(5,901,858)	—	<b>31,019,382</b>
Including: Provision for bad debts on the individual basis	—	—	—	—	—
Provision for bad debts on the grouping basis	36,921,240	—	(5,901,858)	—	<b>31,019,382</b>
Provision for impairment of contract assets	21,172,441	—	(7,187,706)	—	<b>13,984,735</b>
Provision for impairment of long-term receivables	57,181,649	—	(5,769,464)	—	<b>51,412,185</b>
	<u>247,812,537</u>	<u>38,573,792</u>	<u>(18,859,028)</u>	<u>—</u>	<u><b>267,527,301</b></u>



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
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### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (21) Other non-current assets

	<b>31 December 2019</b>	31 December 2018
VAT input to be deducted	<b>182,529,721</b>	—
Taxes advance receipt from port facilities rental income (i)	<b>164,870,124</b>	176,355,137
Foundation oil (ii)	<b>154,048,708</b>	154,048,708
Construction and equipment expenditures prepaid	<b>97,865,742</b>	22,357,252
Less: Current portion of other non-current assets	<u>—</u>	<u>(11,632,329)</u>
	<b><u>599,314,295</u></b>	<b><u>341,128,768</u></b>

- (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 amount of taxes paid has been amortized to the other tax items in tax and surcharges according to rental income recognized in each period.
- (ii) The Company’s subsidiary, Weifang Port Lianhua Storage Co., Ltd. (“Weifang Port Lianhua”), Qingdao Haiye Mercuria Storage Co., Ltd. (“Mercuria Storage”) and Dongying Port Lianhua Storage Co., Ltd. (“Dongying Port Lianhua”) purchased some crude oil for the purpose of production and filled in the crude oil pipeline and tanks, so as to ensure the precision of oil product metering and increase the tank pressure for production safety.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
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### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (22) Short-term borrowings

	Currency	31 December 2019	31 December 2018
Unsecured borrowings	RMB	102,500,000	98,080,000
Unsecured borrowings	USD	18,928,589	8,218,594
Secured borrowings	RMB	6,970,000	23,778,780
Secured borrowings	USD	—	36,634,830
Interest payable	RMB & USD	197,983	—
		<u>128,596,572</u>	<u>166,712,204</u>

- (a) As at 31 December 2019, unsecured borrowings of RMB102,500,000 and USD18,928,589 were both unsecured borrowings obtained by Qingdao Port International Trade Logistics Co., Ltd. (“International Trade Logistics”), a subsidiary of the Company; secured borrowing of RMB6,970,000 was factoring borrowings pledged with other receivables by International Trade Logistics (Note 4(7)(f)).

As at 31 December 2018, unsecured borrowings of RMB98,080,000 and USD8,218,594 were both unsecured borrowings obtained by International Trade Logistics; secured borrowing of USD36,634,830 was obtained by International Trade Logistics with Bill Advance under LC; secured borrowing of RMB23,778,780 was factoring borrowings pledged with other receivables by International Trade Logistics.

- (b) As at 31 December 2019, the interest rate of short-term borrowings ranges from 4.50% to 7.00% (31 December 2018: 4.60% to 7.00%).

#### (23) Notes payable

	31 December 2019	31 December 2018
Trade acceptance notes	805,497,045	712,240,208
Bank acceptance notes	359,272,738	244,784,668
	<u>1,164,769,783</u>	<u>957,024,876</u>

## NOTES TO THE FINANCIAL STATEMENTS

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

#### (24) Accounts payable

	<b>31 December 2019</b>	31 December 2018
Material expenditure payable	759,261,798	560,072,181
Subcontract costs payable	239,180,821	235,583,010
Transportation expenses payable	198,572,153	376,983,361
Agency fee payable	80,494,250	121,644,081
Repair expenses payable	38,125,242	33,305,281
Subcontract handling expenses payable	31,620,722	170,869,837
Rental expenses payable	19,896,497	18,801,715
Others	44,514,600	64,347,853
	<u>1,411,666,083</u>	<u>1,581,607,319</u>

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

	<b>31 December 2019</b>	31 December 2018
Within 1 year	1,298,696,285	1,418,046,166
Over 1 year	<u>112,969,798</u>	<u>163,561,153</u>
	<u>1,411,666,083</u>	<u>1,581,607,319</u>

As at 31 December 2019, accounts payable over one year amounted to RMB112,969,798 (31 December 2018: RMB163,561,153), which were mainly subcontract costs payable for unsettled constructions.

#### (25) Contract Liabilities

	<b>31 December 2019</b>	31 December 2018
Logistic fee received in advance	78,529,777	67,106,406
Construction fee received in advance	78,363,503	9,197,728
Loading fee received in advance	57,131,038	48,193,391
Material/Fuel fee received in advance	15,398,732	4,428,301
Tug fees collected in advance	12,662,753	3,375,870
Others	3,446,919	2,662,394
	<u>245,532,722</u>	<u>134,964,090</u>

The balance of the Group's contract liabilities amounted to RMB134,964,090 (As at 31 December 2018: RMB129,135,173) has been recognized into revenue from main operations for the year ended 31 December 2019.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (26) Employee benefits payable

	31 December 2019	31 December 2018
Short-term employee benefits payable (a)	176,020,528	119,844,885
Defined contribution plans payable (b)	5,945,488	2,983,055
Termination benefits payable (c)	11,950,000	16,370,000
Defined benefit plans payable (d)	<u>114,580,000</u>	<u>112,150,000</u>
	<u>308,496,016</u>	<u>251,347,940</u>

## (a) Short-term employee benefits

	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019
Wages and salaries, bonus, allowances and subsidies	88,020,994	1,069,221,720	(1,019,939,113)	137,303,601
Employee welfare	32,905	127,846,497	(127,868,407)	10,995
Social security contributions	31,815	94,270,560	(94,279,017)	23,358
Including: Medical insurance	30,014	77,966,888	(77,977,139)	19,763
Work injury insurance	1,595	4,789,762	(4,791,132)	225
Maternity insurance	206	11,513,910	(11,510,746)	3,370
Housing fund	9,115	104,564,192	(104,561,316)	11,991
Labor union funds and employee education funds	6,284,042	25,255,400	(23,969,742)	7,569,700
Outsourcing costs	25,458,114	490,667,575	(485,039,621)	31,086,068
Others	7,900	1,175,696	(1,168,781)	14,815
	<u>119,844,885</u>	<u>1,913,001,640</u>	<u>(1,856,825,997)</u>	<u>176,020,528</u>

## (b) Defined contribution plans

	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019
Basic pensions	10,630	148,043,919	(148,018,617)	35,932
Unemployment insurance	745	6,209,769	(6,208,942)	1,572
Enterprise annuity	2,971,680	71,203,225	(68,266,921)	5,907,984
	<u>2,983,055</u>	<u>225,456,913</u>	<u>(222,494,480)</u>	<u>5,945,488</u>

## NOTES TO THE FINANCIAL STATEMENTS

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

#### (26) Employee benefits payable (Continued)

##### (c) Termination benefits payable

	<b>31 December 2019</b>	31 December 2018
Early retirement benefits payable (Current portion)	<u>11,950,000</u>	<u>16,370,000</u>

Early retirement benefits borne by the Group are recognized as long-term employee benefits payable (Note 4(34)), the current portion of which is presented as employee benefits payable.

##### (d) Defined benefit plans

	<b>31 December 2019</b>	31 December 2018
Supplemental retirement benefits (Current portion)	<u>114,580,000</u>	<u>112,150,000</u>

Supplemental retirement benefits borne by the Group are recognized as long-term employee benefits payable (Note 4(34)), the current portion of which is presented as employee benefits payable.

#### (27) Taxes payable

	<b>31 December 2019</b>	31 December 2018
Enterprise income tax payable	195,268,696	166,015,173
Unpaid VAT	19,114,794	21,052,542
Land use tax payable	13,524,254	14,641,938
Deed tax payable	10,127,351	—
Property tax payable	2,370,587	2,135,451
Stamp duty payable	1,757,232	1,322,353
Individual income tax payable	930,873	1,492,664
Others	<u>5,770,043</u>	<u>2,654,486</u>
	<u>248,863,830</u>	<u>209,314,607</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
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### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (28) Other payables

	31 December 2019	31 December 2018
Customer deposits by Qingdao Finance (i)	4,759,108,178	3,923,373,004
Construction and equipment expenditures payable (ii)	1,470,147,099	1,196,352,044
Payables and advances from agent business (iii)	673,439,817	497,188,343
Guarantees and deposits payable	93,572,912	85,357,605
Port construction fees payable (iv)	54,897,823	66,692,221
Borrowings from minority shareholders	28,000,000	28,000,000
Rail freight collected on behalf	23,822,763	9,631,070
Interest of customer deposits by Qingdao Finance (i)	15,823,682	11,456,496
Dividends payable	312,469	1,976,706
Bonds payable and Interest payable	—	70,273,784
Others	81,407,071	64,648,268
	<u>7,200,531,814</u>	<u>5,954,949,541</u>

- (i) Customer deposits and its interests are primarily taken by Qingdao Finance, a subsidiary of the Company, from the Group's related parties.
- (ii) Construction and equipment expenditures payable are mainly payables for project construction, which remain outstanding as relevant projects have not been completed.
- (iii) Payables and advances from agent business are payables and amounts received on behalf by the Group relating to shipping agency business, agent procurement businesses.
- (iv) 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 31 December 2019, other payables over 1 year of RMB389,667,081 (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 year ended 31 December 2019  
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### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (29) Long-term borrowings

	Currency	31 December 2019	31 December 2018
Unsecured borrowings	RMB	85,160,687	112,540,687
Unsecured borrowings	EUR	75,632,301	75,632,301
Interest payable	RMB & EUR	681,308	—
Less: Current portion		<u>(28,591,308)</u>	<u>(27,380,000)</u>
		<u>132,882,988</u>	<u>160,792,988</u>

As at 31 December 2019, interest rate of the long-term borrowings ranges from 2.60% to 4.90% (31 December 2018: 2.90% to 4.90%).

#### (30) Bonds payable

	31 December 2018	Repayment in the current year	Interest accrued by par value	Current portion of payable	31 December 2019
Corporate bonds payable	<u>3,500,000,000</u>	<u>(1,383,100,000)</u>	<u>56,122,334</u>	<u>(56,122,334)</u>	<u>2,116,900,000</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 bonds is 5 years. Interest of the bonds is paid annually and calculated by the simple interest method.

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. The Company announced on 18 February 2019 and 10 May 2019 to raise the coupon rates of the first and second tranches of corporate bonds of the Company both up to 3.68%, from 2.90% and 3.09%, and from 18 March 2019 and 8 June 2019, respectively. The bonds that investors sold back amounted to RMB90,900,000 and RMB1,292,200,000 respectively. As at 31 December 2019, the principal balance of bonds payable amounted to RMB2,116,900,000, and the due dates are 18 March 2021 and 8 June 2021, respectively. As at 31 December 2019, the Group's interest of bonds payable within one year was RMB56,122,334, which was presented as current portion of non-current liabilities.



## NOTES TO THE FINANCIAL STATEMENTS

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

#### (31) Lease liability

	31 December 2019	31 December 2018
Lease liabilities	529,221,202	—
Less: Current portion	<u>(150,919,886)</u>	—
	<u>378,301,316</u>	—

As at 31 December 2019, there was no variable lease payment based on certain percentage of sales and no lease payments related to signed but not yet started lease contracts.

#### (32) Long-term payables

	31 December 2019	31 December 2018
Collection and payment of welfare expenses on behalf of Qingdao Port Group	45,195,019	44,619,933
Less: Current portion of welfare expenses	(2,100,000)	(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>43,095,019</u>	<u>530,779,311</u>

- (i) Payables to Qingdao Port Leasing Company and other third parties are the amount payable for the purchase of asset through Qingdao Leasing in the form of finance lease by the Group. As at 31 December 2019, they are reclassified into lease liabilities based on the New lease Standards (Note 4(31)).

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

#### (33) Deferred revenue

	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019	Reason
Government grants (a)	<u>205,830,431</u>	<u>15,510,000</u>	<u>(7,490,142)</u>	<u>213,850,289</u>	Jimo Port Project Support Fund, etc.

#### (a) Government grants

	31 December 2018	Increase in current year	Recorded in other income in the current year	Recorded in non-operating income in the current year	31 December 2019	Assets related/ income related
Special funds for outer channel (i)	131,361,476	—	(3,914,444)	—	<u>127,447,032</u>	Assets related
Special support fund (ii)	66,570,629	7,000,000	(109,444)	—	<u>73,461,185</u>	Assets related
Support funds for smart port pilot project	—	6,000,000	—	—	<u>6,000,000</u>	Assets related
Special subsidy for shore power projects	4,974,775	2,510,000	(542,703)	—	<u>6,942,072</u>	Assets related
Special funds for science and technology	2,791,667	—	—	(2,791,667)	—	Income related
Others	<u>131,884</u>	—	—	<u>(131,884)</u>	—	Income related
	<u>205,830,431</u>	<u>15,510,000</u>	<u>(4,566,591)</u>	<u>(2,923,551)</u>	<u>213,850,289</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 recognized 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", to be used for the project, and are recognized into profit or loss on a straight-line basis over the useful lives of the asset.

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

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

	31 December 2019	31 December 2018
Early retirement benefits payable (a)	63,420,000	85,930,000
Supplemental retirement benefits payable (b)	2,482,130,000	2,540,220,000
Less: Current portion	<u>(126,530,000)</u>	<u>(128,520,000)</u>
	<u>2,419,020,000</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 recognized 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 recognized as liabilities.

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

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

	31 December 2019	31 December 2018
Early retirement benefits	63,420,000	85,930,000
Less: Current portion	<u>(11,950,000)</u>	<u>(16,370,000)</u>
	<u>51,470,000</u>	<u>69,560,000</u>

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

	31 December 2019	31 December 2018
Supplemental retirement benefits	2,482,130,000	2,540,220,000
Less: Current portion	<u>(114,580,000)</u>	<u>(112,150,000)</u>
	<u>2,367,550,000</u>	<u>2,428,070,000</u>

## NOTES TO THE FINANCIAL STATEMENTS

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

#### (34) 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 recognized in profit or loss for the current year		
Service cost	480,000	4,670,000
Net interest expense on the net obligations	2,520,000	86,890,000
Re-measurement amount		
Actuarial gains for the current year	(6,580,000)	(50,660,000)
Payment of benefits	(18,930,000)	(98,990,000)
31 December 2019	<u>63,420,000</u>	<u>2,482,130,000</u>
	Early retirement benefits	Supplemental retirement benefits
1 January 2018	109,490,000	2,380,610,000
Amount recognized in profit or loss for the current year		
Service cost	4,310,000	9,730,000
Net interest expense on the net obligations	3,930,000	92,390,000
Re-measurement amount		
Actuarial profit/loss for the current year	(6,280,000)	163,730,000
Payment of benefits	(25,520,000)	(102,290,000)
Transfer of personnel	—	(3,950,000)
31 December 2018	<u>85,930,000</u>	<u>2,540,220,000</u>

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(All amounts in RMB Yuan unless otherwise stated)

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

#### (34) 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:

	31 December 2019	31 December 2018
Discount rate – early retirement benefits	3.25%	3.25%
Discount rate – supplemental retirement benefits	3.50%	3.50%
Salary and welfare growth rate – early retirement benefits	10%	10%
Jinglao allowance growth rate and Fushou allowance growth rate -supplemental retirement benefits	3% – 5%	3% – 5%

For the year ended 31 December 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:

	Year ended 31 December 2019	Year months ended 31 December 2018
Early retirement benefits –		
Average age	53.2	53.1
Average expected future time until legally retirement	4.1	4.2
Supplemental retirement benefits –		
Average age	52.7	52.8
Average residual expected future entire duration	30.2	30.1

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

	Change in assumption	Impact on present value of defined benefit liability	
		Increase in assumption	Decrease in assumption
Discount rate – early retirement benefits	0.25%	1.50% down	1.56% up
Discount rate – supplemental retirement benefits	0.25%	3.09% down	3.25% up
Salary and welfare growth rate – early retirement benefits	1%	5.43% up	4.82% down
Jinglao allowance growth rate – supplemental retirement benefits	1%	4.67% up	3.99% down
Fushou allowance growth rate – supplemental retirement benefits	1%	4.12% up	3.40% down

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (34) Long-term employee benefits payable (Continued)

(f) As at 31 December 2019, expected maturity analysis of undiscounted defined benefit liability is as follows:

	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Early retirement benefits	11,830,000	9,790,000	17,700,000	40,060,000	79,380,000
Supplemental retirement benefits	<u>114,580,000</u>	<u>118,210,000</u>	<u>375,120,000</u>	<u>3,856,680,000</u>	<u>4,464,590,000</u>
	<u>126,410,000</u>	<u>128,000,000</u>	<u>392,820,000</u>	<u>3,896,740,000</u>	<u>4,543,970,000</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 recognized in profit or loss for the current year are as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
General and administrative expenses	(1,430,000)	7,760,000
Financial expenses	<u>89,410,000</u>	<u>96,320,000</u>

#### (35) Other non-current liabilities

	31 December 2019	31 December 2018
Lease payments collected in advance	<u>2,888,198,834</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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

## (36) Share capital

	31 December 2018	Movement in the current year				Sub-total	31 December 2019
		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	4,937,699,000	454,376,000	—	—	—	454,376,000	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>	<u>6,491,100,000</u>

	31 December 2017	Movement in the current year				Sub-total	31 December 2018
		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	4,937,699,000	—	—	—	—	—	4,937,699,000
	<u>6,036,724,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,036,724,000</u>

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 HKD3.76 (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 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.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (36) Share capital (Continued)

According to the China Securities Regulatory Commission's Securities Regulatory Commission [2018] No. 1839 issued on 14 November 2018, "Review of the Approval of the Initial Public Offering of Qingdao Port International Co., Ltd.", the Company was approved to submit to the public issued 454,376,000 ordinary shares at an issue price of RMB4.61 per share. The above funds were put in place in January 2019 and were verified by PricewaterhouseCoopers Zhong Tian LLP with capital verification report of PwC ZT Yan Zi (2019) No.0026 issued accordingly. The total amount of funds raised this time was RMB2,094,673,360, the Company's share capital increased by RMB454,376,000, after deducting the issue cost of RMB115,743,592, the remaining RMB1,524,553,768 was included in capital reserve (Share premium).

#### (37) Capital surplus

	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019
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 recognized from revaluation appreciation	887,819,497	—	—	887,819,497
Business combination involving enterprises under common control	(18,103,678)	—	—	(18,103,678)
Subsidiary minority shareholders paid a premium	—	15,245,576	—	15,245,576
Other capital surplus –				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	16,303,999	8,584,824	—	24,888,823
	<u>10,777,968,793</u>	<u>1,548,384,168</u>	<u>—</u>	<u>12,326,352,961</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

## (37) Capital surplus (Continued)

	31 December 2017	Increase in the current year	Decrease in the current year	31 December 2018
Share premium –				
Capital premium contributed by Qingdao Port Group (a)	7,052,279,474	—	—	7,052,279,474
Capital premium contributed by Other Promoters (a)	783,586,608	—	—	783,586,608
Issue of new shares (b)	7,012,559,612	—	—	7,012,559,612
Shares issue expenses (b)	(126,431,506)	—	—	(126,431,506)
Reversal of revaluation appreciation effect from business combination involving enterprises under common control	(4,830,045,213)	—	—	(4,830,045,213)
Income tax effect recognized from revaluation appreciation	887,819,497	—	—	887,819,497
Business combination involving enterprises under common control	(18,103,678)	—	—	(18,103,678)
Other capital surplus –				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	9,135,725	7,168,274	—	16,303,999
	<u>10,770,800,519</u>	<u>7,168,274</u>	<u>—</u>	<u>10,777,968,793</u>

- (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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (37) Capital surplus (Continued)

- (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 capitalized 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.

#### (38) Other comprehensive income

	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement for the year ended 31 December 2019		
	31 December 2018	Attributable to the parent company after tax	31 December 2019	Amount incurred before income tax for the current year	Attributable to the parent company after tax	Attributable to minority interests, net of tax
Other comprehensive income items which will not be reclassified to profit or loss						
Amount changes arising from remeasurement of defined benefit plans	121,017,700	51,274,802	172,292,502	50,660,000	51,274,802	(614,802)
Other comprehensive income that will be subsequently reclassified to profit or loss						
Fair value changes in other debt investments	12,676,488	(2,300,318)	10,376,170	(3,286,169)	(2,300,318)	(985,851)
	<u>133,694,188</u>	<u>48,974,484</u>	<u>182,668,672</u>	<u>47,373,831</u>	<u>48,974,484</u>	<u>(1,600,653)</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (38) Other comprehensive income (Continued)

	Other comprehensive income in the balance sheet		Other comprehensive income in the income statement for the year ended 31 December 2018			
	31 December 2017	Attributable to the parent company after tax	31 December 2018	Amount incurred before income tax for the current year	Attributable to the parent company after tax	Attributable to minority interests, net of tax
Other comprehensive income items which will not be reclassified to profit or loss						
Amount changes arising from remeasurement of defined benefit plans	283,865,500	(162,847,800)	121,017,700	(163,730,000)	(162,847,800)	(882,200)
Other comprehensive income that will be subsequently reclassified to profit or loss						
Fair value changes in other debt investments	—	12,676,488	12,676,488	18,109,269	12,676,488	5,432,781
	<u>283,865,500</u>	<u>(150,171,312)</u>	<u>133,694,188</u>	<u>(145,620,731)</u>	<u>(150,171,312)</u>	<u>4,550,581</u>

#### (39) Surplus reserve

	31 December 2018	Appropriation in the current year	Decrease in the current year	31 December 2019
Statutory surplus reserve	<u>986,974,314</u>	<u>291,404,587</u>	—	<u>1,278,378,901</u>
	31 December 2017	Appropriation in the current year	Decrease in the current year	31 December 2018
Statutory surplus reserve	<u>673,990,310</u>	<u>312,984,004</u>	—	<u>986,974,314</u>

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities. The Company withdraws statutory surplus reserve at RMB291,404,587 at 10% of net profit in 2019 (2018: withdraw at 10% of net profit, totaling RMB312,984,004).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (40) General reserve

	31 December 2018	Appropriation in the current year	Decrease in the current year	31 December 2019
General reserve	<u>298,283,806</u>	<u>82,302,988</u>	—	<u>380,586,794</u>
	31 December 2017	Appropriation in the current year	Decrease in the current year	31 December 2018
General reserve	<u>226,359,871</u>	<u>71,923,935</u>	—	<u>298,283,806</u>

Pursuant to the notice in Cai Jin [2012] No.20 Administrative Measures for the Provision of Reserves of Financial Enterprises issued by the Ministry of Finance, financial enterprises shall make appropriation to general reserve for risk assets. The general reserve should not be less than 1.5% of the ending balance of risk assets, and the minimum threshold can be accumulated over a period of no more than five years. As at 31 December 2019, the general reserve of the Company's subsidiary, Qingdao Finance, has reached 1.5% of the balance of the year-end risk assets.

#### (41) Undistributed profits

	Year ended 31 December 2019	Year ended 31 December 2018
Undistributed profits at beginning of year	8,742,614,209	5,534,036,517
Add: Attributable to equity holders of the Company	3,790,143,318	3,593,485,631
Less: Withdrawal Surplus reserve	(291,404,587)	(312,984,004)
Extracting general reserve	(82,302,988)	(71,923,935)
Profit distribution to shareholders (a)	<u>(2,464,670,670)</u>	—
Undistributed profits at the end of the year	<u>9,694,379,282</u>	<u>8,742,614,209</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.

According to the resolution of the Board of Directors on 26 March 2020, the Board of Directors proposed that the Company pay a cash dividend of 2019 to all shareholders at RMB2.003 (including tax) per ten shares. Based on the 6,491,100,000 shares issued, the proposed cash dividend are RMB1,300,167,330. The above proposal is pending approval by the shareholders meeting and has not been recognized as a liability in these financial statements.(Note 11).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
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### 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (42) Revenue and cost of sales

	Year ended 31 December 2019	Year ended 31 December 2018
Revenue from main operations	10,995,655,703	10,541,003,867
Revenue from other operations	<u>1,168,425,270</u>	<u>1,200,476,297</u>
	<u>12,164,080,973</u>	<u>11,741,480,164</u>
	Year ended 31 December 2019	Year ended 31 December 2018
Cost of sales from main operations	(7,529,557,901)	(7,427,909,125)
Cost of sales from other operations	<u>(649,133,008)</u>	<u>(687,592,866)</u>
	<u>(8,178,690,909)</u>	<u>(8,115,501,991)</u>

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

	Year ended 31 December 2019		Year ended 31 December 2018	
	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	217,999,652	(68,571,775)	240,606,073	(103,061,876)
Metal ore, coal and other cargo handling and ancillary services	2,711,414,131	(2,105,441,050)	2,988,976,155	(2,364,101,409)
Liquid bulk cargo handling and ancillary services	1,427,221,862	(386,720,190)	852,239,978	(273,620,327)
Logistics and port value-added services	4,916,328,209	(3,437,511,733)	5,305,379,478	(3,668,214,675)
Port ancillary services – construction, labor and construction of port machinery	<u>1,722,691,849</u>	<u>(1,531,313,153)</u>	<u>1,153,802,183</u>	<u>(1,018,910,838)</u>
	<u>10,995,655,703</u>	<u>(7,529,557,901)</u>	<u>10,541,003,867</u>	<u>(7,427,909,125)</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

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

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

	Year ended 31 December 2019		Year ended 31 December 2018	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Lease revenue (i)	205,094,283	(108,146,687)	214,281,281	(107,307,749)
Port ancillary service – sales of fuel, electricity and others	955,241,160	(539,973,990)	978,333,959	(579,413,115)
Financial services	8,089,827	(1,012,331)	7,861,057	(872,002)
	<u>1,168,425,270</u>	<u>(649,133,008)</u>	<u>1,200,476,297</u>	<u>(687,592,866)</u>

- (i) The Group's rental income is from leasing port facilities, storage facilities, buildings, machinery and equipment and motor vehicles. For the year ended 31 December 2019, there's no variable rental income recognized based on the certain percentage of the lessee's sales amount.

For the year ended 31 December 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, the remaining contract obligations are satisfied over time.

As at 31 December 2019, the amounts of revenue corresponding to contract obligations that were signed but not fulfilled or not completely fulfilled were RMB1,019,640,133 (As at 31 December 2018: RMB541,928,133), of which RMB956,365,797 is expected that it will be recognized as revenue in 2020 and RMB63,274,336 in 2021.

#### (43) Taxes and surcharges

	Year ended 31 December 2019	Year ended 31 December 2018	Calculation and payment standard
Land use tax	52,191,603	55,633,000	3.2 -11.2 yuan/ Square meter/year
City maintenance and construction tax	15,726,639	19,099,414	7%
Educational surcharge	11,169,025	13,627,865	3%
Stamp duty	8,320,192	6,120,896	Proportional tax rate, Norm quota tax rate
Property tax	6,467,922	6,593,252	Levied on prices and values
Others	<u>14,625,917</u>	<u>16,622,228</u>	
	<u>108,501,298</u>	<u>117,696,655</u>	



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (44) General and administrative expenses

	Year ended 31 December 2019	Year ended 31 December 2018
Employee benefits	332,165,174	310,345,705
Office expenses and entertainment expenses	32,727,669	30,098,925
Depreciation of fixed assets	22,936,751	20,808,332
Intermediary service fee	22,689,444	18,282,150
Repair expenses	19,199,147	9,547,114
Fuel and utility fees	14,026,878	14,882,802
Consumption of other raw materials	13,827,946	12,919,577
Amortization of intangible assets	12,321,858	8,870,095
Others	33,320,975	55,808,240
	<u>503,215,842</u>	<u>481,562,940</u>

## (45) Financial expenses – net

	Year ended 31 December 2019	Year ended 31 December 2018
Interest expenses on deposits	57,701,641	72,309,971
Bonds, borrowings and other interest expenses	134,433,320	136,452,261
Add: Interest expense for lease liabilities	31,293,604	—
Less: Capitalized interest	(921,485)	(5,097,204)
	<u>222,507,080</u>	<u>203,665,028</u>
Less: Interest income	(502,162,922)	(423,674,785)
Effect of actuarial calculation of employee benefits	89,410,000	96,320,000
Exchange gains or losses	(22,672,098)	(59,173,959)
Others	5,002,133	3,031,531
	<u>(207,915,807)</u>	<u>(179,832,185)</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (46) 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:

	Year ended 31 December 2019	Year ended 31 December 2018
Employee benefits	2,080,281,836	1,871,364,104
Subcontract cost	2,026,479,952	2,401,089,177
Cost for outsourcing transportation	1,500,651,264	1,709,385,017
Depreciation of fixed assets	703,353,798	685,101,658
Consumption of raw materials in construction contract	753,430,767	403,472,698
Consumption of other raw materials	341,317,229	308,047,546
Cost of sales for fuel and electricity	331,620,382	362,423,844
Procurement cost of fuel and utility fees	326,694,005	275,391,943
Rental expenses (i)	210,023,345	260,362,044
Repair expense	136,628,196	120,810,998
Depreciation of right-of-use assets	68,922,249	—
Amortization of intangible assets	59,761,980	51,431,594
Consulting fee	19,603,202	11,527,433
Purchasing cost of traded goods	14,638,803	19,952,945
Amortization of long-term prepaid expenses	8,451,397	11,439,139
Auditor's fee	8,150,792	6,754,717
– Annual audit services for listed companies	5,764,000	4,575,472
– Other audit services within the group	2,377,358	2,160,377
– Non-audit services	9,434	18,868
Depreciation of investment properties	4,597,690	4,924,164
Others	158,054,116	154,355,200
	<b>8,752,661,003</b>	<b>8,657,834,221</b>

- (i) As stated in Note 2(25), the Group's lease expense incurred by short-term lease and low-value lease is recorded in profit or loss. As of the year ended on 31 December 2019, the amount is RMB210,023,345.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (47) Other income

	Year ended 31 December 2019	Year ended 31 December 2018	Asset related/ Income related
Development support funds related to daily operations	90,839,635	29,359,629	Income related
Additional deduction of VAT input	20,392,761	—	Income related
Special funds for outer route	3,914,444	3,914,444	Asset related
Employment stabilization subsidies	2,916,606	847,303	Income related
Other government grants	4,016,980	45,225	Asset/Income related
	<u>122,080,426</u>	<u>34,166,601</u>	

For the year ended 31 December 2019 and 2018, other income was included in the non-recurring profit or loss of the year.

## (48) Investment income

	Year ended 31 December 2019	Year ended 31 December 2018
Investment income from long-term equity investments under equity method	1,381,207,816	1,287,921,477
Interest income from holding of debt investments	15,640,345	81,758,380
Investment income from holding of financial assets held for trading	65,833,162	49,306,481
Interest income from holding of other debt investment	33,964,687	37,501,730
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	(227,809)	(255,633)
Interest expenses of discounted notes	(4,144,864)	—
	<u>1,492,273,337</u>	<u>1,455,440,858</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (49) Impairment loss on credit

	Year ended 31 December 2019	Year ended 31 December 2018
Provision for bad debts of notes receivable	1,263,660	3,431,505
Provision for bad debts of accounts receivable	37,310,132	9,537,653
Provision for bad debts of other receivables (reversal)	(5,901,858)	(5,380,889)
Provision for bad debts of long-term receivables (reversal)	(5,769,464)	(49,238,706)
Provision for impairment loss of contract assets (reversal)	(7,187,706)	(1,413,322)
	<u>19,714,764</u>	<u>(43,063,759)</u>

#### (50) Non-operating income

	Year ended 31 December 2019	Year ended 31 December 2018
Commission income from collection of port construction fee (i)	12,642,857	14,828,832
Other unpayable dues	10,878,371	687,175
Insurance compensation	3,899,210	20,145,011
Government grants (ii)	3,191,554	4,038,753
Others	1,271,645	3,375,120
	<u>31,883,637</u>	<u>43,074,891</u>

For the year ended 31 December 2019 and for year ended 31 December 2018, non-operating income was included in the non-recurring profit or loss of the year.

(i) According to the “Administrative Measures on the Collection and Use of Port Construction Fees” jointly formulated by the Ministry of Finance and the Ministry of Communications, the Group replaces the levy handling fee with one percent of the levy on the construction fee.

(ii) Details of government grants

	Year ended 31 December 2019	Year ended 31 December 2018	Asset related/ Income related
Science and technology awards	3,041,667	500,000	Income related
Bonus for attracting businesses and investment	—	1,600,000	Income related
Other government grants	<u>149,887</u>	<u>1,938,753</u>	Asset/Income related
	<u>3,191,554</u>	<u>4,038,753</u>	

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (51) Income tax expenses

	Year ended 31 December 2019	Year ended 31 December 2018
Current income tax calculated based on tax law and related regulations	969,412,610	925,055,370
Deferred income tax	<u>24,790,827</u>	<u>(12,091,353)</u>
	<u><b>994,203,437</b></u>	<u><b>912,964,017</b></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:

	Year ended 31 December 2019	Year ended 31 December 2018
Total profit	<u>5,126,805,417</u>	<u>4,756,490,365</u>
Income tax expenses calculated at applicable tax rates	1,281,701,354	1,189,122,591
The effect of preferential tax rates	(10,458,515)	(6,612,517)
Investment income not subject to tax	(345,301,954)	(321,980,369)
Additional deduction of employee benefits of the disabled	(1,345,137)	(1,578,830)
Costs, expenses and losses not deductible for tax purposes	51,499,054	38,229,939
Deductible temporary differences for which no deferred tax asset was recognized for the current year	4,749,140	—
Deductible losses not recognized as deferred tax assets in the current year	<u>13,359,495</u>	<u>15,783,203</u>
Income tax expenses	<u><b>994,203,437</b></u>	<u><b>912,964,017</b></u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (52) 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:

	Year ended 31 December 2019	Year ended 31 December 2018
Consolidated net profit attributable to ordinary shareholders of the Company	3,790,143,318	3,593,485,631
Weighted average number of ordinary shares outstanding	<u>6,453,235,333</u>	<u>6,036,724,000</u>
Basic earnings per share	<u>0.59</u>	<u>0.60</u>
Including:		
– Basic earnings per share from continuing operations	0.59	0.60
– Basic earnings per share from discontinued operations	NA	NA

##### (b) Diluted earnings per share

Diluted earnings per share is calculated by dividing net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares for the year ended 31 December 2019 (for the year ended 31 December 2018: nil), diluted earnings per share equal to basic earnings per share.

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

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

	Year ended 31 December 2019	Year ended 31 December 2018
Lease payments received	173,554,902	140,506,020
Government grants	136,215,389	104,736,314
Interest from cash at bank	103,297,431	25,700,187
Logistics business fees collected on behalf	53,517,977	—
Receipt of deposits and guarantees	26,291,966	—
Railage collected on behalf	14,191,693	9,129,525
Port construction fees collected on behalf	12,642,857	14,828,832
Commission of port construction fees	—	28,525,777
Others	<u>19,199,070</u>	<u>24,207,306</u>
	<u>538,911,285</u>	<u>347,633,961</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

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

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

	Year ended 31 December 2019	Year ended 31 December 2018
Office expenses and entertainment expenses	44,393,308	31,530,494
Advance payment for agency purchase (i)	40,681,624	235,110,214
Intermediary service fee	27,753,994	18,282,150
Payment of port construction fees	25,738,225	—
Fines and donations, etc.	9,713,178	1,219,279
Bank service charge	5,002,133	3,031,531
Payment of deposits and guarantees	—	40,067,440
Logistics business fees paid on behalf	—	33,137,666
Others	6,914,462	28,065,954
	<u>160,196,924</u>	<u>390,444,728</u>

- (i) Advance payment for agency purchase represents the amounts received or paid on behalf of the customers in the agent purchase business performed by the Company's subsidiaries, International Trade Logistics, Qingdao City Qingdao Port Commodity Trading Center Co., Ltd. and Tongze Trading, which is presented on a net basis.

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

	Year ended 31 December 2019	Year ended 31 December 2018
Recovery of loans provided to related parties and third parties	1,932,234,044	5,635,958,858
Recovery of inter-bank borrowing funds from financial institutions	1,200,000,000	850,000,000
Recovery of statutory deposit reserve by Qingdao Finance	219,520,678	—
Cost reimbursement for sea reclamation	218,725,300	—
	<u>3,570,480,022</u>	<u>6,485,958,858</u>



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

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

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

	Year ended 31 December 2019	Year ended 31 December 2018
Provision of loans to related parties and third parties	1,745,342,203	3,135,287,684
Funding to other financial institutions	1,250,000,000	850,000,000
Statutory deposit reserve deposited by Qingdao Finance	—	121,821,138
	<u>2,995,342,203</u>	<u>4,107,108,822</u>

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

	Year ended 31 December 2019	Year ended 31 December 2018
Deposits received by Qingdao Finance	<u>835,735,174</u>	—

##### (f) Cash paid relating to other financing activities

	Year ended 31 December 2019	Year ended 31 December 2018
Repayment of lease liabilities	194,681,721	—
Decrease in deposit received by Qingdao Finance	—	4,284,019,199
Repayment of principal and interest of finance leases	—	47,662,763
Payment of stock issuance related expenses	—	4,528,302
	<u>194,681,721</u>	<u>4,336,210,264</u>

For the year ended 31 December 2019, the Group's total cash outflow related to leases is RMB411,097,862. Except for the above repayment of lease liabilities recognized in financing activities, the other cash outflows are all recognized in operating activities.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

## (54) Supplementary information to the cash flow statement

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

	Year ended 31 December 2019	Year ended 31 December 2018
Net profit	4,132,601,980	3,843,526,348
Add: Asset impairment losses	4,686,830	—
Credit impairment loss	19,714,764	(43,063,759)
Depreciation of right-of-use assets	68,922,249	—
Depreciation of fixed assets and investment properties	707,951,488	690,025,822
Amortization of intangible assets	59,761,980	51,431,594
Amortization of long-term prepaid expenses	8,451,397	11,439,139
Amortization of deferred income	(7,490,142)	(5,059,669)
Gains on disposal of fixed assets, intangible assets and other non-current assets	(3,453,170)	(40,545,867)
Losses from scrapped fixed assets	309,049	—
Income on changes in fair value	(8,996,486)	(5,014,902)
Investment income	(1,492,273,337)	(1,455,440,858)
Decrease/(increase) in deferred tax assets	24,790,827	(6,444,912)
Financial expenses	(121,203,267)	(155,170,686)
Decrease in inventories and contract assets	59,499,715	48,525,249
Increase in operating receivables	(589,430,784)	(1,083,247,279)
Increase in operating payables	102,146,677	440,043,994
Net cash flows from operating activities	<u>2,965,989,770</u>	<u>2,291,004,214</u>

Significant operating activities, investing activities and operating activities that do not involve cash receipts and payments.

	Year ended 31 December 2019	Year ended 31 December 2018
Goods and services purchased by endorsement of notes receivable	1,674,744,058	2,147,764,038
Long-term assets acquired by endorsement of notes receivable	107,063,882	73,442,525
Increase of right-of-use assets in the current year	171,039,313	—
Finance lease assets	—	123,283,294
Obtaining long-term equity investment through contribution of intangible assets	<u>—</u>	<u>66,522,882</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (54) Supplementary information to the cash flow statement (Continued)

##### (b) Net movements in cash

	Year ended 31 December 2019	Year ended 31 December 2018
Cash at the end of the year	3,998,246,081	4,014,278,650
Less: Cash at the beginning of the year	<u>(4,014,278,650)</u>	<u>(6,362,939,502)</u>
Net decrease in cash	<u><u>(16,032,569)</u></u>	<u><u>(2,348,660,852)</u></u>

##### (c) Cash

	31 December 2019	31 December 2018
Cash at bank and on hand (Note 4(1))	6,846,399,847	8,077,972,498
Less: Term deposits with initial term of over 3 months	(2,125,776,000)	(3,128,746,064)
Other restricted cash balance	<u>(722,377,766)</u>	<u>(934,947,784)</u>
Cash at the end of the year	<u><u>3,998,246,081</u></u>	<u><u>4,014,278,650</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

## (55) Monetary items denominated in foreign currencies

	31 December 2019		
	Foreign currencies balance	Conversion rate	RMB balance
Cash at bank and on hand –			
USD	163,780,085	6.9762	1,142,562,629
HKD	16,858	0.8958	15,101
			<u>1,142,577,730</u>
Accounts receivable –			
USD	66,801,303	6.9762	466,019,248
JPY	1,200,592	0.0641	76,958
EUR	60,278	7.8155	471,103
			<u>466,567,309</u>
Accounts payable –			
USD	56,782,091	6.9762	396,123,222
JPY	513,000	0.0641	32,883
			<u>396,156,105</u>
Short-term borrowings –			
USD	2,715,146	6.9762	18,941,400
Long-term borrowings –			
EUR	10,261,469	7.8155	76,309,390

Monetary items denominated in foreign currencies above means all currencies except RMB.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in RMB Yuan unless otherwise stated)

### 5 CHANGES OF THE SCOPE OF CONSOLIDATION

#### (a) New subsidiaries

On 11 September 2019, the Company's subsidiary, QDP Logistics, established a non-wholly owned subsidiary, Zhonglin Qingdao Port Supply Chain Co., Ltd. ("Zhonglin QDP Supply Chain") and the registered capital was RMB50 million. As at 31 December 2019, shareholders of both parties contributed a total of RMB20 million, with QDP Logistics contributing RMB13 million.

On 12 September 2019, the Company's subsidiary, Qingdao Bonded Port Area Tongda Oil & Gas Co., Ltd. ("Tongda Oil & Gas"), established a non-wholly owned subsidiary, Qingdao Qianwan Nangang Oil & Gas Co., Ltd. ("Nangang Oil & Gas") and the registered capital was RMB50 million. As at 31 December 2019, shareholders of both parties contributed a total of RMB25 million, with Tongda Oil & Gas contributing RMB13.75 million.

On 18 September 2019, the Company established a non-wholly owned subsidiary, Qingdao Zhenhua Petroleum Storage Co., Ltd. ("Zhenhua Petroleum Storage") and the registered capital was RMB292 million. As at 31 December 2019, shareholders of both parties completed the capital contribution and the Company contributed RMB148.92 million.

#### (b) Disposal of subsidiaries

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.

On 26 November 2019, the Group deregistered its wholly-owned subsidiary, Qingdao Port Passenger Terminal Duty Free Merchandise Co., Ltd. ("Duty-free Merchandise"), with loss from liquidation of RMB669,983.

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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

Name of subsidiaries	Category of entity	Major business location	Place of registration	Principal activities	Registered capital (Ten thousand yuan) (Unless otherwise noted)	Shareholding		Acquisition method
						Direct	Indirect	
QDP Logistics	Limited Liability Company	Qingdao, China	Qingdao, China	Integrated logistics	12,500	100%	—	Set-up or investment
Qingdao GLS Shipping Co., Ltd. ("GLS Shipping")	Limited Liability Company	Qingdao, China	Qingdao, China	Shipping agency	2,250	100%	—	Set-up or investment
Ocean Shipping Repair	Limited Liability Company	Qingdao, China	Qingdao, China	Shipping repair services	285	100%	—	Set-up or investment
Qingdao Port (Group) Engineering Co., Ltd. ("Qingdao Port Engineering")	Limited Liability Company	Qingdao, China	Qingdao, China	Engineering & construction	20,000	100%	—	Set-up or investment
Qingdao Port Engineering Design Institute	Limited Liability Company	Qingdao, China	Qingdao, China	Engineering design service	100	—	100%	Set-up or investment
Ocean Shipping Tally	Limited Liability Company	Qingdao, China	Qingdao, China	Ocean shipping tally services	199	84%	—	Set-up or investment
Qingdao Gangjia Logistics Co., Ltd. ("Gangjia Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Logistics services	500	51%	—	Set-up or investment
Gangrong Storage	Limited Liability Company	Qingdao, China	Qingdao, China	Storage service	700	100%	—	Set-up or investment
Datang Port	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo handling services	31,020	51%	—	Business combinations involving enterprises not under common control

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

(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)

Name of subsidiaries	Category of entity	Major business location	Place of registration	Principal activities	Registered capital (Ten thousand yuan) (Unless otherwise noted)	Shareholding		Acquisition method
						Direct	Indirect	
Mercuria Logistics (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo handling services	USD4,930	62%	—	Business combinations involving enterprises not under common control
Mercuria Oil Terminal (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Storage service	USD6,500	71%	—	Business combinations involving enterprises not under common control
Qingdao Port E-Link Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	1,000	—	65%	Set-up or investment
International Trade Logistics	Limited Liability Company	Qingdao, China	Qingdao, China	Trade agency	10,000	—	60%	Set-up or investment
Eimskip Coldchain (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Logistics services	2,000	70%	—	Set-up or investment
Qingdao Finance	Limited Liability Company	Qingdao, China	Qingdao, China	Financial services	100,000	70%	—	Set-up or investment
Qingdao Port Dongjiakou Bulk Cargo Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	10,000	—	51%	Set-up or investment
Lianjie Logistics	Limited Liability Company	Qingdao, China	Qingdao, China	CFS	5,000	—	58%	Set-up or investment
Qingdao Port Jiefeng International Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	1,500	—	51%	Set-up or investment
Jieyuntong Logistics	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	2,000	—	51%	Set-up or investment
Qingdao Port Pulp Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	1,000	—	55%	Set-up or investment



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
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## 6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

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

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

Name of subsidiaries	Category of entity	Major business location	Place of registration	Principal activities	Registered capital (Ten thousand yuan) (Unless otherwise noted)	Shareholding		Acquisition method
						Direct	Indirect	
Qingdao Ganglianyu International Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	500	—	60%	Set-up or investment
Yongli Insurance Company	Limited Liability Company	Qingdao, China	Qingdao, China	Insurance agency services	500	90%	10%	Set-up or investment
Technology Company	Limited Liability Company	Qingdao, China	Qingdao, China	Technology services	2,000	100%	—	Set-up or investment
Qingdao Port Properties Company	Limited Liability Company	Qingdao, China	Qingdao, China	Property management	800	100%	—	Set-up or investment
Culture Media Company	Limited Liability Company	Qingdao, China	Qingdao, China	Media services	300	100%	—	Set-up or investment
Qingdao City Qingdao Port Commodity Trading Center Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Trade agency	2,000	—	100%	Business combination involving enterprises under common control
Qingdao Port International Development (Hong Kong) Co., Ltd. ("International Development")	Limited Liability Company	Hongkong, China	Hongkong, China	Investment management	4,043	100%	—	Business combination involving enterprises under common control
Tongbao Shipping Company	Limited Liability Company	Qingdao, China	Qingdao, China	Logistics services	5,000	100%	—	Set-up or investment
Qingdao Port Tongze Trading Co., Ltd. ("Tongze Trading")	Limited Liability Company	Qingdao, China	Qingdao, China	Sales of goods	1,000	100%	—	Set-up or investment
DMT (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo handling services	60,000	80%	—	Set-up or investment

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

(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)

Name of subsidiaries	Category of entity	Major business location	Place of registration	Principal activities	Registered capital (Ten thousand yuan) (Unless otherwise noted)	Shareholding		Acquisition method
						Direct	Indirect	
Qingdao Port Switzer Towage Co., Ltd. ("Switzer Towage")	Limited Liability Company	Qingdao, China	Qingdao, China	Lightering services	21,000	55%	—	Set-up or investment
Shandong Port Lianhua Pipeline Oil Transport Co., Ltd. ("Lianhua Pipeline")	Limited Liability Company	Qingdao, China	Qingdao, China	Fuel storage	86,600	51%	—	Set-up or investment
Qingdao Port Lianxin International Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	CFS service	2,000	—	58%	Set-up or investment
Weifang Port Lianhua	Limited Liability Company	Weifang, China	Weifang, China	Fuel storage	25,000	—	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	2,500	63%	37%	Business combinations involving enterprises not under common control
Dongying Port Lianhua	Limited Liability Company	Dongying, China	Dongying, China	Fuel storage	38,000	—	70%	Set-up or investment
Qingdao Port Dongjiakou Liquid Chemical Co., Ltd. ("Liquid Chemical Terminal") (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo handling services	71,000	51%	—	Business combinations involving enterprises not under common control
Qingdao Port Lianhua International Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	2,000	—	60%	Set-up or investment
Qingdao Lianxing Tally Co, Ltd. ("Lianxing Tally")	Limited Liability Company	Qingdao, China	Qingdao, China	Ocean shipping tally services	400	—	100%	Set-up or investment
Yantai Logistics	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	8,000	—	100%	Business combinations involving enterprises not under common control

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
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## 6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

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

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

Name of subsidiaries	Category of entity	Major business location	Place of registration	Principal activities	Registered capital (Ten thousand yuan) (Unless otherwise noted)	Shareholding		Acquisition method
						Direct	Indirect	
Lugang Logistics Company	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	5,000	—	100%	Set-up or investment
Jimo Logistics Company	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	15,000	—	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	10,000	—	45%	Set-up or investment
Shengshi Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	1,000	—	58%	Set-up or investment
Shandong Qingdong Pipeline Co., Ltd. ("Qingdong Pipe")	Limited Liability Company	Qingdao, China	Qingdao, China	Oil pipeline transportation	50,000	51%	—	Set-up or investment
Waili Testing Company	Limited Liability Company	Qingdao, China	Qingdao, China	Check and inspection	400	—	100%	Set-up or investment
Tongan Security Company	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	15,000	—	100%	Set-up or investment
Tongda Oil & Gas Company	Limited Liability Company	Qingdao, China	Qingdao, China	LNG operation	6,595	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	600	100%	—	Set-up or investment

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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)

Name of subsidiaries	Category of entity	Major business location	Place of registration	Principal activities	Registered capital (Ten thousand yuan) (Unless otherwise noted)	Shareholding		Acquisition method
						Direct	Indirect	
Shandong Qingzi Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Zibo, China	Logistics services Pipeline transportation	20,000	100%	—	Set-up or investment
Zhenhua Petroleum Storage	Limited Liability Company	Qingdao, China	Qingdao, China	Fuel storage	66,000	51%	—	Set-up or investment
Zhonglin QDP Supply Chain	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	5,000	—	65%	Set-up or investment
Nangang Oil & Gas	Limited Liability Company	Qingdao, China	Qingdao, China	LNG operation	5,000	—	55%	Set-up or investment

- (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 31 December 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%.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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) (Continued)

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

In December 2019, Liquid Chemical Terminal attracted minority shareholders' investments. The Company's actual percentage of shareholding in Liquid Chemical Terminal changed from 100% to 51%. The decisions on relevant operating activities of Liquid Chemical Terminal are made by the Board of Directors. The resolution of the Board of Directors should be subject to the approval of more than half of the directors who attended the Board's meeting. The Company can designate 3 out of 5 board members in Liquid Chemical Terminal, so the voting rights held by the Company is 60%.

The company's subsidiary QDP Logistics holds a 45% share in Automobile Supply Chain. Decisions on Automobile Supply Chain-related operating activities are made by the shareholders' meeting. Except for increasing or reducing the registered capital of the company, the company merges, splits, dissolves, liquidates or Apart from changing the company form and amending the company's articles of association, other matters that need to be resolved by the shareholders ,meeting will be deemed to be passed by the shareholders' meeting after being passed by QDP Logistics.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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 year ended 31 December 2019	Dividends declared to minority interests for the year ended 31 December 2019	31 December 2019 Minority interests
Qingdao Finance	30%	74,017,071	—	648,746,392
Lianhua Pipeline (i)	49%	179,438,457	—	755,214,923
Liquid Chemical Terminal	49%	—	—	360,145,461
Qingdong Pipe	49%	1,054,976	—	246,129,522

(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:

	31 December 2019			
	Qingdao Finance	Lianhua Pipeline	Liquid Chemical Terminal	Qingdong Pipe
Current assets	12,857,944,556	745,467,592	462,373,679	201,014,175
Non-current assets	3,500,665,009	3,268,729,763	447,186,657	741,052,414
Total assets	<u>16,358,609,565</u>	<u>4,014,197,355</u>	<u>909,560,336</u>	<u>942,066,589</u>
Current liabilities	(14,192,468,743)	(670,392,893)	(174,569,598)	(439,711,442)
Non-current liabilities	(3,652,847)	(1,910,161,343)	—	(50,000)
Total liabilities	<u>(14,196,121,590)</u>	<u>(2,580,554,236)</u>	<u>(174,569,598)</u>	<u>(439,761,442)</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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 (Continued)

	31 December 2018			
	Qingdao Finance	Lianhua Pipeline	Liquid Chemical Terminal	Qingdong Pipe
Current assets	11,924,008,986	989,381,246	13,444,856	497,660,866
Non-current assets	2,963,118,464	3,104,090,322	285,973,331	4,797,459
Total assets	<u>14,887,127,450</u>	<u>4,093,471,568</u>	<u>299,418,187</u>	<u>502,458,325</u>
Current liabilities	(12,963,891,486)	(906,405,198)	(11,952,516)	(2,458,325)
Non-current liabilities	(4,175,392)	(2,119,487,570)	—	—
Total liabilities	<u>(12,968,066,878)</u>	<u>(3,025,892,768)</u>	<u>(11,952,516)</u>	<u>(2,458,325)</u>
	Year ended 31 December 2019			
	Qingdao Finance	Lianhua Pipeline	Liquid Chemical Terminal	Qingdong Pipe
Revenue	352,053,225	910,220,852	—	5,713
Net profit/(loss)	246,723,571	366,200,933	(886,381)	2,153,013
Total comprehensive income	249,999,740	365,700,933	(886,381)	2,153,013
Cash flows from operating activities	<u>25,479,119</u>	<u>713,116,904</u>	<u>126,353</u>	<u>2,711,295</u>
	Year ended 31 December 2018			
	Qingdao Finance	Lianhua Pipeline	Liquid Chemical Terminal	Qingdong Pipe
Revenue	484,677,679	341,773,772	—	—
Net profit/(loss)	302,016,378	67,869,009	(167,566)	—
Total comprehensive income	320,095,647	67,869,009	(167,566)	—
Cash flows from operating activities	<u>(3,422,636,883)</u>	<u>103,745,231</u>	<u>(177,498)</u>	<u>—</u>



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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.

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

	31 December 2019		31 December 2018	
	Qingdao Shihua	QQCT	Qingdao Shihua	QQCT
Current assets	881,524,424	1,270,759,616	381,565,599	1,733,264,158
Including: Cash	815,663,613	990,415,517	290,177,262	1,048,244,716
Non-current assets	2,503,178,544	12,123,541,853	2,596,445,096	10,258,827,424
Total assets	<u>3,384,702,968</u>	<u>13,394,301,469</u>	<u>2,978,010,695</u>	<u>11,992,091,582</u>
Current liabilities	(546,425,845)	(3,038,581,768)	(121,918,329)	(1,874,420,294)
Non-current liabilities	—	(2,558,410,201)	—	(2,517,245,305)
Total liabilities	<u>(546,425,845)</u>	<u>(5,596,991,969)</u>	<u>(121,918,329)</u>	<u>(4,391,665,599)</u>
Minority interests	—	482,741,043	—	465,414,932
Attributable to shareholders of the Company	2,838,277,123	7,314,568,457	2,856,092,366	7,135,011,051

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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):

	31 December 2019		31 December 2018	
	Qingdao Shihua	QQCT	Qingdao Shihua	QQCT
Current assets	—	1,270,759,616	—	1,733,264,158
Including: Cash	—	990,415,517	—	1,048,244,716
Non-current assets	—	12,757,936,223	—	10,995,552,934
Total assets	—	14,028,695,839	—	12,728,817,092
Current liabilities	—	(3,038,581,768)	—	(1,874,420,294)
Non-current liabilities	—	(2,717,008,794)	—	(2,701,426,683)
Total liabilities	—	(5,755,590,562)	—	(4,575,846,977)
Minority interests	—	488,984,237	—	472,351,814
Attributable to shareholders of the Company	—	7,784,121,040	—	7,680,618,301
	31 December 2019		31 December 2018	
	Qingdao Shihua	QQCT	Qingdao Shihua	QQCT
Shares of net assets in proportion (i)	1,419,138,562	3,824,340,430	1,428,046,183	3,745,865,524
Adjustments				
– Goodwill	—	1,672,785,426	—	1,672,785,426
– Unrealized profits arising from internal transactions	(68,631,724)	(78,426,628)	(70,383,656)	(48,661,685)
Carrying amount of investment in joint ventures	1,350,506,838	5,418,699,228	1,357,662,527	5,369,989,265

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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):

	Year ended 31 December 2019		Year ended 31 December 2018	
	Qingdao Shihua	QQCT	Qingdao Shihua	QQCT
Revenue	1,633,558,848	3,775,984,285	1,815,247,038	3,624,890,619
Financial expenses	8,955,876	(111,788,141)	4,677,561	(124,153,558)
Income tax expenses	(223,833,071)	(466,576,922)	(201,836,058)	(465,369,975)
Net profit	782,184,756	1,737,005,689	678,073,284	1,673,583,106
Net profit attributable to the Company	782,184,756	1,719,717,410	678,073,284	1,649,354,548
Other comprehensive income	—	—	—	—
Total comprehensive income	782,184,756	1,719,717,410	678,073,284	1,649,354,548

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

	For the year ended 31 December 2019		For the year ended 31 December 2018	
	Qingdao Shihua	QQCT	Qingdao Shihua	QQCT
Net profit	—	1,660,257,334	—	1,595,107,176
Net profit attributable to the Company	—	1,642,969,055	—	1,570,878,618
Other comprehensive income	—	—	—	—
Total comprehensive income	—	1,642,969,055	—	1,570,878,618

Dividends received from joint ventures by the Group for the current period, as of the year ended on 31 December 2019

Qingdao Shihua	792,889,894	325,000,000	670,280,945
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Dividends declared by joint ventures in the current period, as of the year ended on 301 December 2019

Qingdao Shihua	792,889,894	325,000,000	670,280,945
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- (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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

### 6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

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

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

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

	Year ended 31 December 2019	Year ended 31 December 2018
Joint ventures:		
Aggregated carrying amount of investments	2,041,682,212	1,904,187,300
Aggregate of the following items in proportion		
Net profit (i)	143,360,954	156,072,811
Other comprehensive income (i)	—	—
Total comprehensive income	<u>143,360,954</u>	<u>156,072,811</u>
Associates:		
Aggregated carrying amount of investments	328,241,918	193,417,721
Aggregate of the following items in proportion		
Net profit (i)	19,862,772	6,465,745
Other comprehensive income (i)	—	—
Total comprehensive income	<u>19,862,772</u>	<u>6,465,745</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

### 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 year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

## 7 SEGMENT INFORMATION (Continued)

(a) Segment information for the year ended 31 December 2019 and as at 31 December 2019 is listed as follows:

	Container handling and ancillary services	Metal ores, coal and other cargo handling and ancillary services	Liquid bulk handling and ancillary services	Logistics and port value-added services	Port ancillary services	Financial services	Unallocated	Elimination among segments	Total
Revenue from external customers	217,999,652	2,711,414,131	1,427,221,862	4,916,328,209	2,883,027,292	252,873,105	—	—	12,408,864,251
Inter-segment revenue	—	36,353,202	19,553	237,419,295	720,251,409	107,269,947	—	(1,101,313,406)	—
Cost of sales	(68,571,775)	(2,105,441,050)	(386,720,190)	(3,437,511,733)	(2,179,433,830)	(58,217,150)	—	—	(8,235,895,728)
Interest income	25,920	2,739,167	13,264,723	13,571,982	3,022,878	172,969,537	93,004,585	(41,219,148)	257,379,644
Interest expenses	(23,214,292)	(48,668,213)	(154,174,789)	(36,917,469)	(17,548,846)	—	(92,571,352)	207,792,700	(165,302,261)
Investment income from associates and joint ventures	882,739,397	45,859,536	398,950,666	78,305,018	905,283	9,262,412	—	(34,814,496)	1,381,207,816
Asset impairment losses	—	—	—	(4,686,830)	—	—	—	—	(4,686,830)
Credit impairment losses	—	2,837,660	(1,399,446)	(10,787,000)	(17,431,168)	7,065,190	—	—	(19,714,764)
Depreciation and amortization	(24,552,709)	(227,741,637)	(226,363,853)	(186,093,359)	(178,169,874)	(2,025,020)	(140,662)	—	(845,087,114)
Total profit	974,801,617	438,830,454	1,259,316,376	1,423,051,322	548,101,364	554,255,704	12,747,720	(84,299,140)	5,126,805,417
Income tax expenses	4,332,011	1,487,893	(174,496,726)	(271,773,932)	(77,512,605)	(126,363,427)	(349,876,651)	—	(994,203,437)
Net profit	<u>979,133,628</u>	<u>440,318,347</u>	<u>1,084,819,650</u>	<u>1,151,277,390</u>	<u>470,588,759</u>	<u>427,892,277</u>	<u>(337,128,931)</u>	<u>(84,299,140)</u>	<u>4,132,601,980</u>
Total assets	<u>7,675,680,776</u>	<u>7,983,603,348</u>	<u>11,190,509,875</u>	<u>5,759,065,024</u>	<u>7,321,283,025</u>	<u>16,581,150,955</u>	<u>11,580,779,714</u>	<u>(15,306,771,322)</u>	<u>52,785,301,395</u>
Total liabilities	<u>736,250,165</u>	<u>3,014,071,785</u>	<u>4,877,275,871</u>	<u>2,644,519,238</u>	<u>6,532,706,819</u>	<u>14,181,448,718</u>	<u>2,672,784,825</u>	<u>(15,471,118,068)</u>	<u>19,187,939,353</u>
Non-cash expenses other than depreciation and amortization	<u>2,120,000</u>	<u>39,670,000</u>	<u>1,880,000</u>	<u>12,230,000</u>	<u>26,900,000</u>	<u>30,000</u>	—	—	<u>82,830,000</u>
Long-term equity investments in associates and joint ventures	<u>5,632,510,358</u>	<u>1,242,853,883</u>	<u>1,652,685,876</u>	<u>506,160,627</u>	<u>1,335,032</u>	<u>103,584,420</u>	—	—	<u>9,139,130,196</u>
Additions of non-current assets (i)	<u>5,217,907</u>	<u>443,647,223</u>	<u>1,773,962,293</u>	<u>251,872,966</u>	<u>307,468,821</u>	<u>1,661,220</u>	<u>16,769,923</u>	<u>(11,723,998)</u>	<u>2,788,876,355</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 year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

### 7 SEGMENT INFORMATION (Continued)

(b) Segment information for the year ended 31 December 2018 and as at 31 December 2018 is listed as follows:

	Container handling and ancillary services	Metal ores, coal and other cargo handling and ancillary services	Liquid bulk handling and ancillary services	Logistics and port value-added services	Port ancillary services	Financial services	Unallocated	Elimination	Total
Revenue from external customers	240,606,073	2,988,976,155	852,239,978	5,305,379,478	2,346,417,423	409,034,323	—	—	12,142,653,430
Inter-segment revenue	—	89,084,347	—	166,489,529	772,940,681	83,504,413	—	(1,112,018,970)	—
Cost of sales	(103,061,876)	(2,364,101,409)	(273,620,327)	(3,668,214,675)	(1,705,631,702)	(73,181,973)	—	—	(8,187,811,962)
Interest income	—	3,653,409	2,941,932	14,346,909	2,617,035	298,134	67,442,583	(68,798,483)	22,501,519
Interest expenses	—	(59,813,675)	(116,918,378)	(21,942,002)	(11,378,764)	—	(107,411,158)	186,108,920	(131,355,057)
Investment income from associates and joint ventures	842,048,111	52,242,312	351,860,961	77,212,859	—	3,705,800	—	(39,148,566)	1,287,921,477
Credit impairment losses	—	790,477	271,480	(15,820,686)	11,246,157	4,892,436	41,683,895	—	43,063,759
Depreciation and amortization	(20,909,092)	(267,273,449)	(164,904,462)	(107,477,173)	(184,818,804)	(2,145,159)	(5,368,416)	—	(752,896,555)
Total profit	962,050,994	437,458,998	818,497,912	1,545,377,853	498,431,404	440,286,219	284,967,305	(230,580,320)	4,756,490,365
Income tax expenses	—	(1,425,984)	(70,178,543)	(325,171,988)	(38,822,545)	(102,361,538)	(375,003,419)	—	(912,964,017)
Net profit	<u>962,050,994</u>	<u>436,033,014</u>	<u>748,319,369</u>	<u>1,220,205,865</u>	<u>459,608,859</u>	<u>337,924,681</u>	<u>(90,036,114)</u>	<u>(230,580,320)</u>	<u>3,843,526,348</u>
Total assets	<u>7,053,037,039</u>	<u>8,596,304,638</u>	<u>8,936,327,628</u>	<u>5,216,833,796</u>	<u>6,224,396,015</u>	<u>12,958,643,260</u>	<u>12,419,747,945</u>	<u>(12,639,507,388)</u>	<u>48,765,782,933</u>
Total liabilities	<u>316,226,259</u>	<u>3,478,048,747</u>	<u>4,475,041,592</u>	<u>2,428,967,396</u>	<u>6,116,376,740</u>	<u>12,955,739,796</u>	<u>4,005,586,604</u>	<u>(14,429,728,444)</u>	<u>19,346,258,690</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>5,561,186,904</u>	<u>1,223,754,466</u>	<u>1,600,027,901</u>	<u>345,535,785</u>	<u>429,749</u>	<u>94,322,008</u>	<u>—</u>	<u>—</u>	<u>8,825,256,813</u>
Additions of non-current assets (i)	<u>32,313,723</u>	<u>528,383,664</u>	<u>1,600,376,249</u>	<u>355,847,829</u>	<u>284,723,515</u>	<u>2,182,531</u>	<u>8,061,889</u>	<u>(29,564,264)</u>	<u>2,782,325,136</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 year ended 31 December 2019  
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## 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:

	Year ended 31 December 2019	Year ended 31 December 2018
Revenue –		
Reportable segment revenue from external customers	12,408,864,251	12,142,653,430
Reclassification of interest income from external customers of Qingdao Finance (i)	<u>(244,783,278)</u>	<u>(401,173,266)</u>
Consolidated revenue (Note 4(42))	<u>12,164,080,973</u>	<u>11,741,480,164</u>
Interest income –		
Reportable segment interest income	257,379,644	22,501,519
Reclassification of interest income from external customers of Qingdao Finance (i)	<u>244,783,278</u>	<u>401,173,266</u>
Consolidated interest income (Note 4(45))	<u>502,162,922</u>	<u>423,674,785</u>
Cost of sales –		
Reportable segment cost of sales	8,235,895,728	8,187,811,962
Reclassification of interest expenses from external customers of Qingdao Finance (ii)	<u>(57,204,819)</u>	<u>(72,309,971)</u>
Consolidated cost of sales (Note 4(42))	<u>8,178,690,909</u>	<u>8,115,501,991</u>
Interest expenses –		
Reportable segment interest expenses	165,302,261	131,355,057
Reclassification of interest expenses from external customers of Qingdao Finance (ii)	<u>57,204,819</u>	<u>72,309,971</u>
Consolidated interest expenses (Note 4(45))	<u>222,507,080</u>	<u>203,665,028</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 year ended 31 December 2019  
(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	Jia Funing	Port operation and management

As stated in Note 1, Qingdao SASAC plans to gratuitously transfer 100% equity interests in QDP Group to Shandong Port Group Co., Ltd., but due to the uncertainty of the implementation of the *Gratuitous Transfer Agreement*, as at 31 December 2019, the ultimate controller of the Company was still Qingdao SASAC. Upon completion of the equity transfer, the ultimate controller of the Company will be changed to Shandong Provincial State-owned Assets Supervision and Administration Commission.

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

	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019
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

	31 December 2019		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 year ended 31 December 2019  
(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:

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

(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 Investment and Construction (Group) Co., Ltd. (“QDP Investment Group”)	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 International Cruise Port Development & Construction Co., Ltd. (“International Cruise Port Development & Construction”)	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 Dongjiakou Railway Co., Ltd. (“Dongjiakou Railway”)	Controlled by the same parent company
Qingdao Harbor Vocational and Technical College (“QHVTC”)	Controlled by the same parent company
Qingdao Qinggang International Travel Service Co., Ltd. (“Qingdao Port Travel Agency”)	Controlled by the same parent company
Weihai Jinfeng Freight Forwarding Co., Ltd. (“Weihai Jinfeng Freight Forwarding”) (i)	Controlled by the same parent company
Qingdao International Cruises Co., Ltd. (“International Cruises”)	Controlled by the same parent company
Qingdao Port (Shenzhen) Commercial Insurance Co., Ltd., (“QDP Commercial Insurance”)	Controlled by the same parent company
Shandong Port Finance Holdings Co., Ltd. (Used name: 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 Pilot Station Co., Ltd. (“QDP Pilot Station “)	Controlled by the same parent company
Qingdao Port Asset Management Co., Ltd. (“Assets Management Company”)	Controlled by the same parent company
Shandong Weihai Port Co., Ltd. (“Weihai Port”) (i)	Controlled by the same parent company
Qingdao Port International Finance Leasing Co., Ltd. (“Qingdao Leasing”)	Controlled by the same parent company
Qingdao Port Finance Guarantee Co., Ltd. (“Finance Guarantee”)	Controlled by the same parent company
Qingdao Port Insurance Brokerage Co. Ltd.	Controlled by the same parent company
Shandong Weihai Port International Logistics Co., Ltd. (i)	Controlled by the same parent company
Shandong Port Fund Management Co., Ltd. (Used name: Qingdao Port Fund Management Co., Ltd.)	Controlled by the same parent company
Weihai International Logistics Park Co., Ltd. (i)	Controlled by the same parent company

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
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### 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

Name of company	Relationship with the Group
Qingdao Qianwan Construction Development Group Co., Ltd.	Controlled by the same parent company
Qingdao Port (Group) Tongda Industrial Corporation	Controlled by the same parent company
Qingdao Harbor Hospital Investment and management Co., Ltd.	Controlled by the same parent company
Qingdao Laoshan Scenic Spot Yingzhu Holiday Village QQCTN	Controlled by the same parent company Subsidiary of QQCT, and sharing the same key management personnel with the Company
QQCTU	Joint venture of QQCTN, and sharing the same key management personnel with the Company
Qingdao Qianwan United Advanced Container Terminal Co., Ltd. ("QQCTUA")	Joint venture of QQCTU, and sharing the same key management personnel with the Company
Qingdao Qianwan Intelligent Container Terminal Co., Ltd. ("QQCTI")	Subsidiary of QQCTN, and sharing the same key management personnel with the Company
Qingdao Dongjiakou Mineral Inspection Co., Ltd. ("Dongjiakou Mineral Inspection")	Joint venture of QDOT, and sharing the same key management personnel with the Company
Qingdao Xi'an Xintong Logistics Co., Ltd. ("Xi'an Xintong")	Joint venture of West United, and sharing the same key management personnel with the Company
Qingdao Cruise Home Port China Duty Free Goods Co., Ltd.	Associate of the parent company
Qingdao Cruise Home Port Development and Construction Co., Ltd.	Associate of the parent company
Qingdao Gangsheng International Logistics and Refrigeration Co., Ltd.	Associate of the parent company
China Shipping Terminal (ii)	Shareholders of the company
Qingdao Ocean Shipping Co., Ltd.	Shareholders of the company
Shandong Port Group Co., Ltd. ("Provincial Port Group")	Sharing the same key management personnel with the Company
China Ship Fuel Qingdao Co., Ltd. ("China Shipbuilding Qingdao")	Controlled by China Ocean Shipping Group Co., Ltd. ("COSCO shipping group")
COSCO Shipping Container Transport Co., Ltd. ("COSCO Shipping Container Transport")	Controlled by COSCO shipping group
Qingdao COSCO Shipping Container Transport Co., Ltd. ("Qingdao COSCO Shipping Container Transport")	Controlled by COSCO shipping group

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
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### 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

Name of company	Relationship with the Group
Shanghai Pan-Asia Shipping Co., Ltd. ("Shanghai Pan-Asia Shipping")	Controlled by COSCO shipping group
China Qingdao Ocean Shipping Agency Co., Ltd. ("Qingdao Ocean Shipping Agency")	Controlled by COSCO shipping group
COSCO Shipping Logistics (Henan) Co., Ltd ("COSCO Shipping Logistics (Henan)")	Controlled by COSCO shipping group
Qingdao Zhongran Industrial Co., Ltd. ("Zhongran Industrial")	Controlled by COSCO shipping group
Qingdao Ocean & Great Asia Logistics Co., Ltd. ("Ocean & Great Asia")	Controlled by COSCO shipping group
Qingdao COSCO Shipping Logistics Co., Ltd. ("COSCO Shipping Logistics")	Controlled by COSCO shipping group
Xinxinhai Shipping Co., Ltd. (Formerly: COSCON Southeast Asia Limited) ("Xinxinhai Shipping")	Controlled by COSCO shipping group
The Orient Overseas Container Line (China) Co., Ltd. ("OOCL")	Controlled by COSCO shipping group
Qingdao Xin Sanli Cold Box Technology Co., Ltd.	Controlled by COSCO shipping group
Lianyungang Ocean Ocean Fluid Handling Equipment Co., Ltd.	Controlled by COSCO shipping group
China Lianyungang Ocean Shipping Agency Co., Ltd.	Controlled by COSCO shipping group
Qingdao Ocean Shipping & Navigation Co., Ltd.	Controlled by COSCO shipping group
China Shipping Container Line Qingdao Co., Ltd.	Controlled by COSCO shipping group
Qingdao Ocean Shipping Daya Bonded Logistics Co., Ltd.	Controlled by COSCO shipping group
Shanghai COSCO Shipping Port Investment Co., Ltd.	Controlled by COSCO shipping group
Guangzhou Zhenhua Shipping Co., Ltd.	Controlled by COSCO shipping group
Qingdao Gangwan International Logistics Co., Ltd.	Controlled by COSCO shipping group
COSCO Weizhi Container Logistics (Shanghai) Co. Ltd. ("COSCO Weizhi Container Logistics")	Controlled by COSCO shipping group
Xi'an COSCO Shipping Logistics Co., Ltd.	Controlled by COSCO shipping group
COSCO Shipping Customs Clearance (Qingdao) Co., Ltd.	Controlled by COSCO shipping group
China Ship Fuel Dalian Co., Ltd.	Controlled by COSCO shipping group
Xiamen COSCO Shipping Logistics Co., Ltd.	Controlled by COSCO shipping group
COSCO Shipping Bulk Transportation Co., Ltd.	Controlled by COSCO shipping group
Shanghai Puhai Shipping Co., Ltd.	Controlled by COSCO shipping group
Zhongli Inspection Co., Ltd.	Controlled by COSCO shipping group
Qingdao Ocean Ocean Hongchi Logistics Co., Ltd.	Controlled by COSCO shipping group

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
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### 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

Name of company	Relationship with the Group
Xinjiang COSCO Shipping International Freight Co., Ltd.	Controlled by COSCO shipping group
Qingdao New Oriental Container Storage and Transportation Co., Ltd.	Controlled by COSCO shipping group
Lianyungang COSCO Shipping International Freight Co., Ltd.	Controlled by COSCO shipping group
Lianyungang Yuangang Logistics Co., Ltd.	Controlled by COSCO shipping group
Qingdao COSCO Container Shipping Agency Co., Ltd.	Controlled by COSCO shipping group
Xinsanli Container Service Co., Ltd.	Controlled by COSCO shipping group
China Marine Bunker YINDA Qingdao Co., Ltd.	Controlled by COSCO shipping group
Qingdao Cosco Shipping International Logistics Co., Ltd.	Controlled by COSCO shipping group
Qingdao COSCO Shipping Logistics International Storage and Transportation Co., Ltd.	Controlled by COSCO shipping group

- (i) On 9 July 2019, Qingdao SASAC, QDP Group, the State-owned Assets Supervision & Commission of Weihai Municipal People's Government ("Weihai SASAC") and Weihai Port Group signed the Gratuitous Transfer Agreement of State-owned Property Rights. Weihai SASAC shall gratuitously transfer its 100% equity interests in Weihai Port Group to QDP Group. Weihai Port Group and its subsidiaries shall become the subsidiaries of QDP Group. From the date of signing the agreement to 31 December 2019, transactions between the Group and the above companies were related party transactions.
- (ii) The ultimate controlling party for China Shipping Terminal is China Ocean Shipping Group Co., Ltd. ("COSCO Shipping Group"). COSCO Shipping Group indirectly holds 17.12% of the Company's shares through Shanghai China Shipping Terminal, Qingdao Ocean Shipping and China Shipping Terminal.

#### (5) Related party transactions

##### Pricing policy

The Group's purchases, sales, provision or acceptance of services with related parties are conducted in accordance with the pricing and settlement terms agreed with the other party in the ordinary course of business. The rents collected and paid to related parties shall be determined after negotiation between the two parties. The interest rate of loans provided by Qingdao Finance, the Company's subsidiary to related parties and deposits from related parties is negotiated by the two parties on the basis of reference to the benchmark interest rate of the People's Bank of China for the same period or the loan market quoted rate announced by the National Interbank Funding Center.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
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### 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

Purchase of goods or services:

Related party	Contents of transactions	Year ended 31 December 2019	Year ended 31 December 2018
China Shipbuilding Qingdao**	Purchasing fuel	166,978,490	93,702,161
West United	Receiving of Loading & unloading and logistics services	166,670,206	136,918,155
QDOT	Receiving of Loading & unloading and logistics services	100,810,546	569,619,219
QDP Investment Group*	Purchasing engineering materials and receiving engineering services	43,485,836	9,431,785
Huaneng Qingdao	Receiving of Loading & unloading and logistics services	31,672,954	28,059,465
QQCTU	Receiving of Loading & unloading and logistics services	23,450,659	22,571,766
Qingdao COSCO Shipping Container Transport**	Receiving of Loading & unloading and logistics services	17,553,644	11,646,682
COSCO Shipping Container Transportation**	Receiving of Loading & unloading and logistics services	16,360,122	1,432,900
Fuwai Hospital*	Receiving medical services	11,569,240	11,235,412
Qingdao Shihua	Receiving of Loading & unloading and logistics services	10,195,367	2,015,402
Qingdao Ocean Shipping Agency**	Receiving of Loading & unloading and logistics services	7,437,771	3,842,483
QQCT	Receiving of Loading & unloading and logistics services	7,273,665	6,952,364
Hongyu Hotel*	Receiving of catering services	5,999,876	11,574,317
Lianhai Logistics**	Receiving of Loading & unloading and logistics services	5,238,738	1,605,573
OOCL**	Receiving of Loading & unloading and logistics services	4,602,319	208,705
Shanghai Pan-Asia Shipping**	Receiving of Loading & unloading and logistics services	4,082,005	—
Linyi Express	Receiving of logistics services	3,767,440	1,525,527

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
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### 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)

Related party	Contents of transactions	Year ended 31 December 2019	Year ended 31 December 2018
COSCO Shipping Logistics (Henan)**	Receiving of Loading & unloading and logistics services	3,281,461	2,337,919
Binzhou Port QDP International Terminal	Receiving of Loading & unloading and logistics services	2,057,373	—
Shenzhouxing Cargo Agency**	Receiving of logistics services	1,509,168	1,134,384
Lianrong Logistics	Receiving of logistics services	1,031,855	309,669
Zhongran Industrial**	Receiving of logistics services	731,746	1,108,758
Other subsidiaries of Qingdao Port Group*	Receiving of Loading & unloading and logistics services	3,235,917	2,662,629
Other COSCO Shipping Group Companies**	Receiving of Loading & unloading and logistics services	2,407,051	3,296,909
Other related parties	Receiving of Loading & unloading, logistics, training, traveling and factoring services	3,902,461	3,509,558
		<b>645,305,910</b>	<b>926,701,742</b>

\* These transactions are continuing connected transactions that have complied with the disclosure requirements of Chapter 14A of the Hong Kong Stock Exchange's Securities Listing Rules and are the purchase of goods and services by the Group from Qingdao Port Group.

\*\* These transactions are continuing connected transactions that have complied with the disclosure requirements of Chapter 14A of the Hong Kong Stock Exchange's Securities Listing Rules and are the purchase of goods and services by the Group from COSCO Shipping Group.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
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### 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)

Selling goods and rendering services:

Related party	Contents of transactions	Year ended 31 December 2019	Year ended 31 December 2018
QQCT	Rendering of transporting, loading & unloading, repairing and other services	177,192,905	201,161,226
QDOT	Rendering of transporting, loading & unloading, repairing and other services	127,165,649	86,699,202
Qingdao Shihua	Rendering of transporting, loading & unloading, repairing and other services	124,912,057	118,233,182
Qingdao Ocean Shipping Agency**	Rendering of transporting, loading & unloading, repairing and other services	117,021,242	132,169,333
Dongjiakou IMC Logistics	Rendering of transporting, loading & unloading, repairing and other services	105,341,637	169,559,362
QQCTU	Rendering of transporting, loading & unloading, repairing and other services	83,149,599	98,287,944
Shenzhouxing Cargo Agency**	Rendering of transporting, loading & unloading, repairing and other services	50,072,127	45,526,843
Ocean & Great Asia**	Rendering of transporting, loading & unloading, repairing and other services	45,512,622	49,106,219
Qingdao COSCO Shipping Container Transport**	Rendering of transporting, loading & unloading, repairing and other services	36,052,618	10,071,485
Evergreen Container	Rendering of transporting, loading & unloading, repairing and other services	33,643,825	27,542,018
Qingdao Port Group*	Rendering of transporting, loading & unloading, repairing and other services	28,875,066	23,478,069

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
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### 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)

Selling goods and rendering services: (Continued)

Related party	Contents of transactions	Year ended 31 December 2019	Year ended 31 December 2018
QQCTN	Rendering of transporting, loading & unloading, repairing and other services	27,555,696	26,319,626
QDP Investment Group*	Rendering of transporting, loading & unloading, repairing and other services	24,833,009	25,348,002
COSCO Shipping Container Transport**	Rendering of transporting, loading & unloading, repairing and other services	23,657,375	15,133,757
Shanghai Pan-Asia Shipping**	Rendering of transporting, loading & unloading, repairing and other services	19,946,589	10,389,715
Lianhai Logistics**	Rendering of transporting, loading & unloading, repairing and other services	19,699,586	13,147,811
QQCTUA	Rendering of transporting, loading & unloading, repairing and other services	15,995,087	24,979,653
Ganghai Logistics	Rendering of transporting, loading & unloading, repairing and other services	14,637,291	9,277,843
West United	Rendering of transporting, loading & unloading, repairing and other services	14,088,729	13,577,577
Orient Container**	Rendering of transporting, loading & unloading, repairing and other services	12,996,416	14,089,286
Lianrong Logistics	Rendering of transporting, loading & unloading, repairing and other services	9,791,996	8,423,391
QHVTC*	Rendering of transporting, loading & unloading, repairing and other services	9,149,458	8,157,357

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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)

Selling goods and rendering services: (Continued)

Related party	Contents of transactions	Year ended 31 December 2019	Year ended 31 December 2018
COSCO Shipping Logistics**	Rendering of transporting, loading & unloading, repairing and other services	7,107,398	3,396,560
Xinxinhai Shipping**	Rendering of transporting, loading & unloading, repairing and other services	5,634,268	3,328,163
Ocean Bridge International**	Rendering of transporting, loading & unloading, repairing and other services	5,172,045	3,223,434
Binzhou Port QDP International Terminal	Rendering of transporting, loading & unloading, repairing and other services	4,749,927	10,157,094
Xi'an Xintong	Rendering of transporting, loading & unloading, repairing and other services	3,455,528	2,892,079
COSCO Weizhi Container Logistics**	Rendering of transporting, loading & unloading, repairing and other services	2,418,954	533,555
Liquid Chemical Terminal	Rendering of transporting, loading & unloading, repairing and other services	2,372,165	1,627,453
Fuwai Hospital*	Rendering of transporting, loading & unloading, repairing and other services	1,797,628	353,642
Weihai Jinfeng Freight Forwarding*	Rendering of transporting, loading & unloading, repairing and other services	1,417,518	—
QDP Investment Real Estate*	Rendering of transporting, loading & unloading, repairing and other services	1,362,850	1,020,932
Provincial Port Group	Rendering of transporting, loading & unloading, repairing and other services	1,355,931	—

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
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## 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)

Selling goods and rendering services: (Continued)

Related party	Contents of transactions	Year ended 31 December 2019	Year ended 31 December 2018
Qingdao Financial Controlling*	Rendering of operating, property, communication and other services	553,694	820,450
Micro Lending Company*	Rendering of operating, property, communication and other services	327,202	986,249
QDP Pilot Station*	Rendering of operating, property, communication and other services	122,798	1,083,141
Assets Management Company*	Rendering of operating, property, communication and other services	122,657	802,152
Qingdao Leasing*	Rendering of operating, property, communication and other services	80,166	705,988
Ganghua Logistics	Rendering of transporting, loading & unloading, repairing and other services	—	6,670,354
Other COSCO Shipping Group Companies**	Rendering of transporting, loading & unloading, repairing and other services	3,107,233	2,213,171
Other subsidiaries of Qingdao Port Group*	Rendering of transporting, loading & unloading, repairing and other services	2,599,084	3,721,005
Other related parties	Rendering of transporting, loading & unloading, repairing and other services	1,550,268	1,937,627
		<u>1,166,597,893</u>	<u>1,176,151,950</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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)

Selling goods and rendering services (Continued):

Related party	Contents of transactions	Year ended 31 December 2019	Year ended 31 December 2018
QQCTN	Rendering of construction services	444,893,198	236,499,111
Qingdao Port Group*	Rendering of construction services	143,089,172	33,971,797
QDOT	Rendering of construction services	118,877,830	120,828,528
QDP Investment Group*	Rendering of construction services	52,904,835	89,813,097
West United	Rendering of construction services	30,326,838	15,387,351
Qingdao Shihua	Rendering of construction services	21,077,875	29,411,696
QQCTU	Rendering of construction services	15,230,248	2,030,546
QHVTC*	Rendering of construction services	4,756,359	—
Evergreen Container	Rendering of construction services	3,167,872	3,554,132
Orient Container**	Rendering of construction services	2,480,156	3,379,532
Liquid Chemical Terminal	Rendering of construction services	1,123,060	567,693
Lianrong Logistics	Rendering of construction services	597,090	3,463,280
Fuwai Hospital*	Rendering of construction services	386,310	2,794,979
Shenzhouxing Cargo Agency**	Rendering of construction services	242,959	2,443,035
QQCT	Rendering of construction services	127,060	41,493,863
Huaneng Qingdao	Rendering of construction services	58	2,562,717
Other COSCO Shipping Group Companies**	Rendering of construction services	1,030,862	1,537,608
Other subsidiaries of Qingdao Port Group*	Rendering of construction services	966,593	439,214
Other related parties	Rendering of construction services	1,308,718	1,066,316
		<b>842,587,093</b>	<b>591,244,495</b>



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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)

Selling goods and rendering services (Continued):

Related party	Contents of transactions	Year ended 31 December 2019	Year ended 31 December 2018
QDOT	Sales of water, electricity, steam and oil	137,877,415	139,081,889
QQCT	Sales of water, electricity, steam and oil	108,989,464	121,481,757
QQCTN	Sales of water, electricity, steam and oil	37,687,645	32,799,330
West United	Sales of water, electricity, steam and oil	16,359,856	13,318,735
QQCTUA	Sales of water, electricity, steam and oil	13,492,118	12,970,859
Qingdao Shihua	Sales of water, electricity, steam and oil	8,858,261	9,188,734
QQCTU	Sales of water, electricity, steam and oil	8,664,711	8,516,617
Evergreen Container	Sales of water, electricity, steam and oil	5,173,051	4,886,159
Shenzhouxing Cargo Agency**	Sales of water, electricity, steam and oil	4,244,705	4,433,854
QD International Cruise*	Sales of water, electricity, steam and oil	2,979,764	3,684,658
QDP Investment Group*	Sales of water, electricity, steam and oil	2,763,275	2,207,986
Ganghai Logistics**	Sales of water, electricity, steam and oil	2,512,440	1,474,727
Orient Container**	Sales of water, electricity, steam and oil	2,172,738	2,249,454
Huaneng Qingdao	Sales of water, electricity, steam and oil	1,559,571	1,392,047
Haiwan Liquid Chemical	Sales of water, electricity, steam and oil	1,553,746	1,469,981
Qingdao Port Group*	Sales of water, electricity, steam and oil	1,326,876	1,047,777
Lianrong Logistics	Sales of water, electricity, steam and oil	878,559	1,339,955
Other subsidiaries of Qingdao Port Group*	Sales of water, electricity, steam and oil	1,913,764	2,724,001
Other COSCO Shipping Group Companies**	Sales of water, electricity, steam and oil	238,780	247,303
Other related parties	Sales of water, electricity, steam and oil	836,813	1,199,901
		<b>360,083,552</b>	<b>365,715,724</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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)

Selling goods and rendering services (Continued):

Related party	Contents of transactions	Year ended 31 December 2019	Year ended 31 December 2018
QQCTN	Sales of port machinery and other equipment	295,508,723	29,204,647
QDOT	Sales of port machinery and other equipment	188,800,100	37,291,217
Qingdao Leasing*	Sales of port machinery and other equipment	31,941,474	—
Dongjiakou Railway*	Sales of port machinery and other equipment	31,926,249	—
QDP Investment Group*	Sales of port machinery and other equipment	31,345,093	126,915,690
QQCT	Sales of port machinery and other equipment	23,507,334	121,875,584
West United	Sales of port machinery and other equipment	3,512,701	7,651,150
Other subsidiaries of Qingdao Port Group*	Sales of port machinery and other equipment	6,605,100	—
Other COSCO Shipping Group Companies**	Sales of port machinery and other equipment	—	232,688
Other related parties	Sales of port machinery and other equipment	1,025,362	6,759,143
		<b>614,172,136</b>	329,930,119
		<b>2,983,440,674</b>	2,463,042,288

(i) Tongze Trading, a subsidiary of the Company, provides agency procurement services for related parties of the Group. The transaction amount disclosed above is the agency service fee charged.

(ii) \* These transactions are continuing connected transactions that have complied with the disclosure requirements of Chapter 14A of the Hong Kong Stock Exchange's Securities Listing Rules and are the provision of goods and services by the Group to Qingdao Port Group.

\*\* These transactions are continuing connected transactions that have complied with the disclosure requirements of Chapter 14A of the Hong Kong Stock Exchange's Securities Listing Rules and are the provision of goods and services by the Group to COSCO Shipping Group.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

## (5) Related party transactions (Continued)

## (b) Leases

Related Parties	Type of leased assets	Lease income confirmed for the year ended 2019	Lease income confirmed for the year ended 2018
QQCT	Buildings, storage facilities, port facilities and vehicles	225,958,852	228,295,922
Qingdao Shihua	Buildings, storage facilities and machinery & equipment	151,441,482	440,461,312
QDOT	Storage facilities, vehicles	11,795,786	11,969,963
Evergreen Container	Buildings, storage facilities	9,984,431	9,483,485
QQCTU	Buildings, port facilities and vehicles	9,783,217	10,071,313
Ganghai Logistics	Storage facilities and machinery	9,684,478	195,549
Xi'an Xintong	Storage facilities	9,139,856	3,651,558
Orient Container**	Storage facilities	7,611,048	7,230,476
QQCTN	Port facilities and vehicles	6,365,995	3,813,445
Lianhai Logistics**	Storage facilities and machinery	6,311,809	5,697,726
Lianrong Logistics	Port facilities	5,320,310	4,482,264
Shenzhouxing Cargo Agency**	Storage facilities and machinery	3,681,291	1,527,892
Binzhou Port QDP International Terminal	Machinery	1,821,903	4,360,157
QQCTUA	Port facilities	1,566,476	1,742,857
QDP Pilot Station	Buildings, storage facilities	1,446,018	789,123
Other COSCO Shipping Group Companies**	Storage facilities and machinery	77,543	27,323
Other related parties	Buildings, storage facilities and machinery & equipment	1,306,527	1,299,174
		<u>463,297,022</u>	<u>735,099,539</u>

\*\* These transactions are continuing connected transactions that have complied with the disclosure requirements of Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong, and these are certain assets the Group leases to COSCO Shipping Group.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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	Lease asset type	Year ended 31 December 2019	Year ended 31 December 2018
Qingdao Leasing	Port facilities, machinery and equipment, buildings and buildings Ship, loading equipment, warehouse facilities	<u>8,530,293</u>	<u>—</u>

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

	Year ended 31 December 2019	Year ended 31 December 2018
Qingdao Leasing	<u>30,776,489</u>	<u>—</u>

Other assets leased by the Group as a lessee:

	Type of leased assets	Lease fee confirmed the year ended 2019	Lease fee confirmed the year ended 2018
Qingdao Port Group*	Buildings, storage facilities	74,248,448	80,091,498
QQCTU	Storage facilities	20,005,465	3,322,636
QDP Investment Group*	Buildings, storage facilities	18,847,617	8,705,811
QQCTN	Storage facilities	8,389,295	14,557,335
West United	Buildings, storage facilities	8,180,998	9,707,470
QQCT	Machinery & equipment	1,956,863	1,225,517
Other subsidiaries of Qingdao Port Group*	Buildings	1,229,012	753,143
Other related parties	Buildings, storage facilities and machinery & equipment	1,516,545	1,784,370
		<u>134,374,243</u>	<u>120,147,780</u>

\* These transactions are continuing connected transactions that have complied with the disclosure requirements of Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong, these are land, buildings and equipment leased by the Group from Qingdao Port Group.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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	Starting date	Due Date
QDOT	36,000,000	2019-04-16	2020-04-15
QDOT	36,000,000	2019-05-16	2020-05-15
QDOT	30,000,000	2019-06-14	2020-06-13
QDOT	30,000,000	2019-06-28	2020-06-27
QDOT	50,000,000	2019-09-25	2020-09-24
QDOT	30,000,000	2019-10-30	2020-10-29
QDOT	30,000,000	2019-11-25	2020-11-24
QDOT	50,000,000	2019-12-05	2020-12-04
QQCTN	88,000,000	2019-05-28	2020-05-27
QQCTN	20,323,360	2019-07-31	2024-07-30
QQCTN	39,948,100	2019-09-10	2024-09-09
QQCTN	46,682,541	2019-09-10	2024-09-09
QQCTN	350,000,000	2019-11-01	2024-10-31
QQCTN	9,418,100	2019-11-29	2020-11-28
QQCTN	4,234,700	2019-12-12	2020-12-11
QQCTN	12,112,260	2019-12-27	2022-12-26
QQCTN	19,166,309	2019-12-27	2022-12-26
QQCTU	345,000,000	2019-03-28	2022-03-27
QQCTUA	5,000,000	2019-05-16	2022-05-15
QQCTUA	5,000,000	2019-06-14	2022-06-13
QQCTUA	5,000,000	2019-07-16	2022-07-15
QQCTUA	5,000,000	2019-08-15	2022-08-14
QQCTUA	5,000,000	2019-09-12	2022-09-11
QQCTUA	5,000,000	2019-10-15	2022-10-14
QQCTUA	5,000,000	2019-11-15	2022-11-14
QQCTUA	5,000,000	2019-12-16	2022-12-15
West United	16,000,000	2019-05-30	2020-05-29
West United	13,000,000	2019-05-30	2020-05-29
West United	20,000,000	2019-09-25	2020-09-24
	<u>1,315,885,370</u>		

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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)

Obtaining factoring loan –

	Amount	Starting date	Due Date
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
QDP Commercial Insurance	45,000,000	2019-07-25	2019-08-09
QDP Commercial Insurance	70,000,000	2019-08-16	2019-09-26
QDP Commercial Insurance	25,000,000	2019-09-27	2019-11-19
QDP Commercial Insurance	25,000,000	2019-09-27	2019-11-19
QDP Commercial Insurance	12,075,000	2019-10-09	2020-03-22
QDP Commercial Insurance	12,040,000	2019-10-10	2020-01-08
QDP Commercial Insurance	48,520,000	2019-10-22	2019-12-26
QDP Commercial Insurance	50,000,000	2019-11-07	2019-11-26
QDP Commercial Insurance	92,000,000	2019-12-16	2020-01-19
	<u>438,335,000</u>		

Discounted notes –

	Year ended 31 December 2019	Year ended 31 December 2018
QDOT	—	32,330,429
Haiwan Liquid Chemical	—	1,173,675
	<u>—</u>	<u>33,504,104</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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 borrowings and finance leases

	Year ended 31 December 2019	Year ended 31 December 2018
Qingdao Leasing	53,015,911	42,982,134
QQCTN	31,182,783	65,279,595
QQCTU	11,893,821	28,982,429
QQCT	10,086,281	17,350,694
QDOT	4,392,178	23,638,081
Fuwai Hospital	4,221,687	8,742,307
Haiwan Liquid Chemical	—	4,269,071
Other related parties	3,943,116	3,963,539
	<u>118,735,777</u>	<u>195,207,850</u>

Interest expenses for deposits from customers and funds borrowed –

	Year ended 31 December 2019	Year ended 31 December 2018
Qingdao Port Group	12,006,661	29,184,036
QQCT	10,152,733	20,026,922
Qingdao Shihua	8,737,149	4,494,218
Qingdao Financial Controlling	5,569,097	3,975,511
QQCTN	5,275,110	2,046,446
QDP Commercial Insurance	3,286,249	1,538,068
QQCTI	2,747,516	2,362,920
QDP Investment Group	1,618,234	478,468
Dongjiakou IMC Logistics	964,894	63,545
West United	736,848	280,206
Finance Guarantee	686,499	—
International Cruise Port Development & Construction	640,331	942,773
Fuwai Hospital	522,770	1,040,814
Qingdao Leasing	378,596	28,270,530
QQCTU	372,169	1,245,237
Other related parties	3,741,085	3,961,220
	<u>57,435,941</u>	<u>99,910,914</u>



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

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

##### (d) Remuneration of key management

	Year ended 31 December 2019	Year ended 31 December 2018
Remuneration of key management	<u>9,483,727</u>	<u>8,354,532</u>

##### (e) 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.

	Year ended 31 December 2019	Year ended 31 December 2018
Funds received under the entrustment of related parties –		
QQCT	572,866,024	564,069,246
QQCTU	266,741,948	260,731,975
QQCTUA	46,851,939	34,772,677
QQCTN	<u>41,272,956</u>	<u>45,334,009</u>
	<u>927,732,867</u>	<u>904,907,907</u>
Funds paid to related parties –		
QQCT	580,168,150	564,994,530
QQCTU	273,986,339	249,016,317
QQCTUA	46,363,999	34,499,930
QQCTN	<u>41,018,098</u>	<u>45,267,272</u>
	<u>941,536,586</u>	<u>893,778,049</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 year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

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

##### (e) Other related party transactions (Continued)

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

	Year ended 31 December 2019	Year ended 31 December 2018
Qingdao Shihua	124,827,006	132,729,396
QQCT	73,450,515	80,586,724
QQCTU	25,711,912	27,219,648
QQCTN	10,490,272	12,453,055
West United	7,227,225	6,887,154
QQCTUA	6,303,202	5,151,106
QDOT	2,153,576	7,253,277
	<u>250,163,708</u>	<u>272,280,360</u>

Related parties such as Qingdao Shihua and QQCT charge customers for port charges, berthing fees, and security fees for the cargo and submit 50% of them to the Company.

##### (iii) Accept the commission payment of related parties

	Year ended 31 December 2019	Year ended 31 December 2018
QQCT	86,525,265	76,844,626
QDOT	69,397,717	54,030,916
Qingdao Port Group	36,849,320	2,708,449
QQCTU	29,506,321	35,486,107
Qingdao Shihua	28,051,833	19,208,213
West United	20,899,770	20,634,766
QQCTN	14,258,920	15,828,675
QHVTC	7,515,073	8,169,199
Evergreen Container	5,278,790	5,266,740
Fuwai Hospital	4,483,280	4,464,289
Orient Container	3,536,136	3,942,573
QDP Investment Group	2,779,033	2,589,742
Shenzhouxing Cargo Agency	2,327,902	2,169,926
Haiwan Liquid Chemical	1,839,343	1,631,607
Huaneng Qingdao	1,366,497	1,188,814
Other related parties	7,732,762	8,616,610
	<u>322,347,962</u>	<u>262,781,252</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in RMB Yuan unless otherwise stated)

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

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

##### (e) Other related party transactions (Continued)

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

In previous years, the recognized early retirement and supplemental retirement benefit liabilities 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 on behalf of Qingdao Port Group in future.

In 2019, the Group paid RMB1,975,365 to the retired and retired employees on behalf of Qingdao Port Group (2018: RMB2,174,255). As at 31 December 2019, a total amount of RMB16,147,889 had been paid.

- (v) For the year ended 31 December 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 year ended 31 December 2018: RMB257,432,000). 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 31 December 2019, factoring financing principal and relevant interest are matured and paid.

- (vi) Other amount collected and paid on behalf

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

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

##### (a) Notes receivable –

	31 December 2019		31 December 2018	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QDOT	36,566,268	(1,828,313)	—	—
West United	9,618,590	(480,929)	26,251,993	(1,312,600)
QDP Investing Group	9,301,058	(465,053)	11,999,764	(599,988)
QQCTN	5,016,400	(250,820)	—	—
Fuwai Hospital	1,336,910	(66,845)	—	—
	<u>61,839,226</u>	<u>(3,091,960)</u>	<u>38,251,757</u>	<u>(1,912,588)</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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)

## Receivables from related parties

## (b) Accounts receivable –

	31 December 2019		31 December 2018	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QQCTN	588,293,283	(29,456,590)	194,041,166	(9,846,333)
QDOT	294,119,761	(17,608,651)	164,538,301	(9,728,304)
Qingdao Port Group	130,880,131	(6,591,531)	80,015,369	(5,599,547)
QDP Investment Group	126,028,386	(6,301,419)	128,132,282	(6,406,614)
QQCTU	68,616,852	(3,437,735)	56,100,976	(3,332,894)
West United	32,745,054	(1,638,303)	44,809,938	(2,522,010)
QQCT	26,201,055	(1,350,609)	24,183,824	(1,221,226)
Dongjiakou Railway	21,243,469	(1,062,173)	2,239	(112)
Haiwan Liquid Chemical	19,106,877	(1,860,490)	19,154,533	(1,095,109)
Xi'an Xintong	14,498,035	(724,902)	5,771,116	(288,556)
Qingdao Leasing	14,400,000	(720,000)	—	—
Dongjiakou IMC Logistics	14,394,187	(719,709)	21,344,658	(1,067,233)
Huaneng Qingdao	11,588,257	(1,158,350)	9,764,093	(488,205)
QDP Investment Real Estate	11,560,618	(1,147,188)	11,649,156	(1,151,615)
QHVTC	10,372,550	(518,627)	2,333,493	(116,675)
Qingdao Shihua	9,897,525	(503,343)	17,085,788	(862,250)
Lianhai Logistics	9,667,136	(483,357)	8,522,263	(426,113)
Shenzhouxing Cargo Agency	9,322,198	(466,110)	11,303,837	(565,192)
QQCTUA	7,942,281	(399,086)	4,375,690	(218,785)
Ocean & Great Asia	7,074,425	(353,721)	8,159,341	(407,967)
Orient Container	4,296,225	(214,811)	5,080,433	(254,022)
Shanghai Pan-Asia Shipping	3,584,455	(179,223)	1,799,584	(89,979)
Ocean Bridge International	3,222,412	(161,121)	3,222,412	(161,121)
Evergreen Container	2,836,777	(141,839)	6,245,287	(312,264)
COSCO Shipping Container Transportation	2,743,458	(137,173)	708,485	(35,424)
Lianrong Logistics	2,271,709	(113,585)	5,587,260	(279,363)
Xinxinhai Shipping	2,244,211	(112,211)	78,414	(3,921)
Weihai Jinfeng Freight Forwarding	1,856,640	(92,832)	—	—
Provincial Port Group	1,294,464	(64,723)	—	—
Other related parties	7,164,745	(358,238)	5,611,773	(326,200)
	<u>1,459,467,176</u>	<u>(78,077,650)</u>	<u>839,621,711</u>	<u>(46,807,034)</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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)

##### (c) Contract assets

	31 December 2019		31 December 2018	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QDOT	62,131,701	(3,853,462)	47,260,547	(3,232,944)
QQCTN	54,437,883	(3,104,490)	76,183,269	(5,080,545)
QDP Investment Group	25,420,255	(1,979,119)	75,256,103	(4,390,814)
QQCT	24,841,373	(1,242,069)	47,442,081	(2,422,611)
QDP Port Group	7,742,173	(426,754)	—	—
Qingdao Shihua	3,613,718	(180,686)	—	—
West United	2,459,807	(171,139)	—	—
Evergreen Container	550,866	(27,543)	2,786,136	(140,880)
QHVTC	95,333	(9,533)	14,226,307	(1,308,527)
Other related parties	3,455,601	(264,286)	2,920,183	(261,047)
	<u>184,748,710</u>	<u>(11,259,081)</u>	<u>266,074,626</u>	<u>(16,837,368)</u>

##### (d) Advances to suppliers

	31 December 2019	31 December 2018
West United	6,580,550	2,000,000
Qingdao Shihua	3,835,256	—
COSCO Shipping Lines Qingdao	618,675	1,418,723
Shanghai Pan-Asia Shipping	124,896	4,988,618
QQCTU	—	2,696,054
Other related parties	1,418,839	1,340,539
	<u>12,578,216</u>	<u>12,443,934</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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

Ending balance of loans provided and interests –

	31 December 2019		31 December 2018	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QDOT	292,388,117	(5,119,580)	—	—
QQCTN	101,652,800	(1,311,830)	89,046,726	(539,147)
West United	49,065,129	(713,458)	—	—
Qingdao Leasing	—	—	569,751,852	(11,437,166)
QQCT	—	—	322,208	(16,110)
Fuwai Hospital	—	—	187,018	(9,351)
	<u>443,106,046</u>	<u>(7,144,868)</u>	<u>659,307,804</u>	<u>(12,001,774)</u>

Other –

	31 December 2019		31 December 2018	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QDOT	34,661,842	(1,733,092)	11,706,813	(585,341)
QQCTU	8,317,868	(421,783)	5,829,406	(299,787)
West United	4,360,929	(218,046)	7,097,554	(354,878)
QQCT	3,476,325	(214,084)	2,655,775	(143,431)
QQCTN	2,113,362	(105,668)	2,968,372	(151,539)
Ganghai Logistics	1,432,246	(71,612)	1,294,275	(64,714)
Orient Container	1,193,845	(59,692)	654,702	(32,735)
Qingdao Ocean Shipping Agency	942,700	(47,135)	997,086	(49,854)
Shenzhouxing Cargo Agency	746,650	(37,333)	323,313	(16,166)
Evergreen Container	590,000	(29,500)	2,469,359	(123,468)
Qingdao Shihua	373,138	(18,657)	4,614,704	(230,735)
Qingdao Leasing	—	—	9,976,400	(498,820)
Dongjiakou IMC Logistics	—	—	3,293,808	(164,690)
International Cruises	—	—	3,218,118	(160,906)
Other related parties	2,928,037	(146,403)	3,720,385	(191,070)
	<u>61,136,942</u>	<u>(3,103,005)</u>	<u>60,820,070</u>	<u>(3,068,134)</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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) Long-term receivables

	31 December 2019		31 December 2018	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QQCTN	788,379,448	(20,022,856)	640,600,000	(15,839,643)
Qingdao Leasing	389,439,426	(9,631,108)	1,049,653,884	(26,745,495)
QQCTU	338,590,715	(8,600,557)	—	—
QQCT	222,322,208	(5,865,889)	222,000,000	(5,865,889)
Weihai Port	169,746,010	(4,311,725)	—	—
Fuwai Hospital	77,612,482	(1,971,437)	123,400,000	(8,730,622)
QQCTUA	39,707,548	(1,008,613)	—	—
	<u>2,025,797,837</u>	<u>(51,412,185)</u>	<u>2,035,653,884</u>	<u>(57,181,649)</u>

##### (g) Short-term borrowings

	31 December 2019	31 December 2018
QDP Commercial Insurance	<u>6,991,684</u>	<u>23,778,780</u>

##### (h) Accounts payable

	31 December 2019	31 December 2018
QDP Investment Group	13,937,879	8,230,555
QQCTU	6,054,857	18,283,446
Shihua Qingdao	5,136,664	505,492
QDOT	5,037,408	112,069,541
Evergreen Container	1,803,665	7,137,918
QQCT	1,749,915	78,015
West United	1,734,709	5,082,862
Qingdao Ocean Shipping Agency	1,168,251	537,351
QDP Investment Real Estate	1,134,936	714,488
Lianhai Logistics	776,094	1,259,987
Shenzhouxing Cargo Agency	180,805	1,921,328
COSCO Shipping		
Lines Qingdao	114,398	1,001,701
Ocean & Great Asia	16,978	1,538,482
Huaneng Qingdao	—	2,930,896
Other related parties	<u>4,917,586</u>	<u>4,118,303</u>
	<u>43,764,145</u>	<u>165,410,365</u>



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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) Advances from customers

	31 December 2019	31 December 2018
QQCT	610,195	197,421,375
QQCTN	—	2,518,940
Other related parties	<u>623,841</u>	<u>1,210,360</u>
	<u><u>1,234,036</u></u>	<u><u>201,150,675</u></u>

##### (j) Contract Liabilities

	31 December 2019	31 December 2018
QQCT	80,623,049	1,500,000
Qingdao Port Group	2,103,167	2,376,579
Ocean & Great Asia	1,340,708	737,781
Qingdao Ocean Shipping Agency	853,806	567,140
QDP Investment Group	—	2,867,161
Evergreen Container	—	1,136,300
Orient Container	—	582,706
Shenzhouxing Cargo Agency	—	442,605
Other related parties	<u>501,095</u>	<u>882,429</u>
	<u><u>85,421,825</u></u>	<u><u>11,092,701</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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)

##### (k) Other payables

Ending balance of money deposits –

	31 December 2019	31 December 2018
Qingdao Financial Controlling	1,036,478,976	211,777,414
Qingdao Shihua	821,019,457	273,967,925
QQCTI	694,414,004	176,154,579
QDP Investment Group	642,310,860	68,376,352
Finance Guarantee	300,689,314	—
QQCT	223,383,392	424,090,520
Dongjiakou IMC Logistics	182,043,341	87,598,655
Qingdao Port Group	131,791,929	1,369,157,957
Ganghai Logistics	85,973,801	81,402,226
QQCTU	79,875,009	81,814,033
West United	79,677,114	38,495,088
QQCTN	78,515,453	367,198,840
Fuwai Hospital	63,764,090	41,978,108
QQCTUA	50,607,266	10,409,784
QDP Commercial Insurance	34,435,745	257,654,883
QD Cruise Port Development	31,115,228	67,452,242
Dongjiakou Sinotrans Logistics	26,566,044	25,700,143
Lianhai Logistics	25,955,010	21,485,146
QDOT	23,183,985	20,833,080
Qingdao Leasing	20,791,597	15,004,136
Assets Management Company	20,064,643	10,094,096
Haiwan Liquid Chemicals	18,911,561	15,344,328
Qingdao Port Travel Agency	17,678,268	2,078,985
QD International Cruise	17,561,089	5,852,783
Evergreen Container	17,417,001	19,371,642
Orient Container	17,157,233	17,460,359
Lianrong Logistics	11,731,501	14,230,191
Dongjiakou Mineral Inspection	4,948,179	4,467,994
QDP Investment Real Estate	4,282,894	6,755,302
Hongyu Hotel	1,285,265	6,526,762
Dongjiakou Railway	—	166,008,287
Ganghua Logistics	—	15,143,577
Other related parties	10,753,022	10,990,532
	<u>4,774,382,271</u>	<u>3,934,875,949</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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)

## (k) Other payables (Continued)

Other –

	31 December 2019	31 December 2018
QDP Investment Group	17,547,450	19,790,200
QQCT	15,891,033	23,219,808
QQCTU	7,926,312	5,350,158
QDOT	3,310,161	—
Ocean & Great Asia	1,547,868	269,673
QQCTN	1,358,353	1,014,222
QQCTUA	1,355,292	844,486
Other related parties	4,428,211	4,164,200
	<u>53,364,680</u>	<u>54,652,747</u>
	<u>4,827,746,951</u>	<u>3,989,528,696</u>

## (l) Long-term payables

Qingdao Leasing

	31 December 2019	31 December 2018
Qingdao Leasing	—	555,130,898

## (m) Other non-current liabilities

QQCT  
QQCTN  
QQCTU

	31 December 2019	31 December 2018
QQCT	2,815,772,185	2,815,772,185
QQCTN	50,378,800	50,378,800
QQCTU	14,927,773	14,927,773
	<u>2,881,078,758</u>	<u>2,881,078,758</u>

## (n) Lease liabilities

Qingdao Leasing

	31 December 2019	31 December 2018
Qingdao Leasing	438,267,872	—

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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

According to the signed irrevocable operating lease contract, in addition to the operating lease out commitments mentioned in Note 4 (35), the Group's future collection of related party rents is summarized as follows:

	31 December 2019	31 December 2018
QQCT	329,456,000	356,950,000
QQCTU	110,640,000	120,028,000
Binzhou Port QDP International Terminal	40,608,000	45,897,000
QQCTUA	21,960,000	23,790,000
QQCTN	14,760,000	15,990,000
Evergreen Container	5,687,500	6,337,500
Micro Lending Company	182,250	263,250
West United	115,500	516,000
Qingdao Shihua	22,500	—
Qingdao Financial Controlling	—	101,000
	<b>523,431,750</b>	<b>569,872,750</b>

#### (8) Off-balance sheet activities

As entrusted by related parties, the Company's subsidiary, Qingdao Finance, offers entrusted loans to other designated related parties. For the year ended 31 December 2019, principal of new entrusted loan business offered by Qingdao Finance amounts to RMB1,614,000,000 (For the year ended 31 December 2018: RMB3,730,245,000). As at 31 December 2019, entrusted loans amounted to RMB3,108,000,000 (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 recognized 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(3).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

## (9) Benefits and interests of directors

## (a) Directors' and CEO's emoluments

The remuneration of every director, supervisor and CEO for the year ended 31 December 2019 are set out below:

Name	Emoluments in respect of a person's services as a director					Emoluments in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking	Total
	Fees	Salary and allowance	Annuity plan	Social pension	Bonus		
Executive directors:							
Li Fengli (i)	—	—	—	—	—	—	—
Zheng Minghui (ii)	—	—	—	—	—	—	—
Zhang Jiangnan (Chief Executive Officer)	—	176,838	42,240	54,844	960,000	—	1,233,922
Jiang Chunfeng	—	246,086	41,930	54,844	840,306	—	1,183,166
Non-executive Directors:							
Jiao Guangjun	—	—	—	—	—	—	—
Zhang Wei	—	—	—	—	—	—	—
Chu Xiaozhong	—	263,486	30,885	54,844	840,306	—	1,189,521
Independent Non-executive Directors:							
Zou Guoqiang (iii)	130,767	—	—	—	—	—	130,767
Li Yan (iv)	103,571	—	—	—	—	—	103,571
Jiang Min (iv)	103,571	—	—	—	—	—	103,571
Li Guohao (iv)	130,825	—	—	—	—	—	130,825
Supervisors:							
Zhang Qingcai	—	—	—	—	—	—	—
Li Wucheng	—	267,746	29,003	54,844	840,306	—	1,191,899
Liu Shuiguo	—	278,158	16,960	54,844	337,944	—	687,906
Wang Xiaoyan	—	223,125	15,062	52,643	105,930	—	396,760
Li Xuxiu (v)	51,745	—	—	—	—	—	51,745
Liu Dengqing (v)	51,745	—	—	—	—	—	51,745
Yang Qiulin (vi)	155,304	—	—	—	—	—	155,304
Wang Yaping (vi)	155,304	—	—	—	—	—	155,304
	<u>882,832</u>	<u>1,455,439</u>	<u>176,080</u>	<u>326,863</u>	<u>3,924,792</u>	—	<u>6,766,006</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

(All amounts in RMB Yuan unless otherwise stated)

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

#### (9) Benefits and interests of directors (Continued)

##### (a) Directors' and CEO's emoluments (Continued)

- (i) Appointed as director on 17 May 2019.
- (ii) Resigned from director on 29 January 2019.
- (iii) Resigned from director on 17 May 2019.
- (iv) Appointed as director on 17 May 2019.
- (v) Resigned from supervisor on 17 May 2019.
- (vi) Resigned as director and was transferred to supervisor on 17 May 2019. The remuneration is the total remuneration for independent non-executive directors and independent supervisors in 2019.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

## (9) Benefits and interests of directors (Continued)

## (a) Directors' and CEO's emoluments (Continued)

The remuneration of every director, supervisor and CEO for the year ended 31 December 2018 are set out below:

Name	Emoluments in respect of a person's services as a director					Emoluments in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking	Total
	Fees	Salary and allowance	Annuity plan	Social pension	Bonus		
Executive directors:							
Zheng Minghui	—	—	—	—	—	—	—
Zhang Jiangnan (Chief Executive Officer) (i)	—	41,733	5,976	14,067	204,000	—	265,776
Jiang Chunfeng	—	349,070	14,364	56,267	724,518	—	1,144,219
Non-executive Directors:							
Cheng Xinnong (ii)	—	—	—	—	—	—	—
Zhang Wei	—	—	—	—	—	—	—
Jiao Guangjun (Chief Executive Officer) (iii)	—	124,341	17,928	17,928	818,830	—	1,003,299
Ma Baoliang (iv)	—	27,536	3,984	3,984	342,830	—	383,023
Chu Xiaozhong (v)	—	107,190	6,059	6,059	395,976	—	532,670
Independent Non-executive Directors:							
Wang Yaping	207,096	—	—	—	—	—	207,096
Zou Guoqiang	261,534	—	—	—	—	—	261,534
Yang Qiulin	207,096	—	—	—	—	—	207,096
Supervisors:							
Fu Xinmin (vi)	—	—	—	—	—	—	—
Chi Dianmou (vi)	—	—	—	—	—	—	—
Xue Qingxia (vii)	—	183,239	8,594	8,594	244,549	—	473,893
Liu Yuping (vii)	—	200,333	9,690	9,690	28,909	—	276,443
Li Xuxiu	103,490	—	—	—	—	—	103,490
Liu Dengqing	103,490	—	—	—	—	—	103,490
Zhang Qingcai (viii)	—	—	—	—	—	—	—
Li Wucheng (viii)	—	150,223	7,550	7,550	371,450	—	562,080
Liu Shuiguo (ix)	—	107,977	4,194	4,194	106,430	—	242,046
Wang Xiaoyan (ix)	—	97,788	3,837	3,837	16,192	—	140,409
	<u>882,706</u>	<u>1,389,430</u>	<u>82,176</u>	<u>82,176</u>	<u>3,253,684</u>	<u>—</u>	<u>5,906,564</u>



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (9) Benefits and interests of directors (Continued)

##### (a) Directors' and CEO's emoluments (Continued)

- (i) Appointed as director on 26 September 2018.
- (ii) Died on 19 April 2018.
- (iii) Resigned as an executive director and president, and was transferred to a non-executive director on 26 September 2018.
- (iv) Resigned from director on 15 August 2018.
- (v) Appointed as director on 15 August 2018.
- (vi) Resigned from supervisor on 19 March 2018.
- (vii) Resigned from supervisor on 15 August 2018.
- (viii) Appointed as supervisor on 6 June 2018
- (ix) Appointed as supervisor on 15 August 2018.

	Providing director services to the Company or its subsidiaries		Providing director services to the Company or its subsidiaries		Total	
	2019	2018	2019	2018	2019	2018
Directors' emoluments	<u>3,606,609</u>	<u>3,328,987</u>	<u>—</u>	<u>—</u>	<u>3,606,609</u>	<u>3,328,987</u>

In 2019, directors Zhang Jiangnan, Jiang Chunfeng, Chu Xiaozhong, and supervisors Li Wucheng, Liu Shuiguo, and Wang Xiaoyan provided management services for the Company or its subsidiaries. The Group did not explicitly clarify the remunerations of the above personnel as directors, supervisors or managers. Therefore, they were grouped and presented as “the remuneration for services provided as directors and supervisors”.

In 2018, directors Jiao Guangjun, Zhang Jiangnan, Jiang Chunfeng, Ma Baoliang, Chu Xiaozhong, and supervisors Xue Qingxia, Liu Yuping, Li Wucheng, Liu Shuiguo, and Wang Xiaoyan also provided management services for the Company or its subsidiaries. The Group did not explicitly clarify the remunerations of the above personnel as directors, supervisors or managers. Therefore, they were grouped and presented as “the remuneration for services provided as directors and supervisors”.

In 2019, directors Zheng Minghui, Li Fengli, Jiao Guangjun and supervisor Zhang Qingcai were employed and paid by QDP Group. Director Zhang Wei was employed and paid by COSCO SHIPPING Ports Limited (“COSCO SHIPPING Ports”) from January to September in 2019, and was employed and paid by China COSCO SHIPPING Corporation Limited from October to December in 2019.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

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

#### (9) Benefits and interests of directors (Continued)

##### (a) Directors' and CEO's emoluments (Continued)

In 2018, directors Zheng Minghui, Cheng Xinnong and supervisors Fu Xinmin, Chi Dianmou, and Zhang Qingcai were employed and paid by QDP Group. Director Zhang Wei was employed and paid by COSCO Shipping Ports.

In 2019 and 2018, the Group had no directors waiving their remunerations.

- (b) In 2019 and 2018, the Group had no retirement benefits for directors because of providing director services.
- (c) In 2019 and 2018, the Group did not pay termination benefits for directors.
- (d) In 2019 and 2018, the Group did not pay consideration to third parties in return for director services.
- (e) In 2019 and 2018, the Group did not provide loans, quasi-loans to directors, legal persons controlled by directors or associated persons of directors, nor provide guarantees for loans to directors, legal persons controlled by directors or associated persons of directors.
- (f) In 2019 and 2018, the Company did not sign any important transactions, arrangements or contracts in which the directors of the Company directly or indirectly had significant interests.

#### (10) Five highest paid individuals

The top five highest paid remunerations of the Group in 2019 include 2 directors and 1 supervisor (2018: 2 directors), whose remuneration has been reflected in Note 8 (9); the other 2 (2018: 3) The total amount of compensation is listed below:

	2019	2018
Salary and allowance	424,424	719,712
Annuity plan	85,268	48,885
Social security contributions	109,688	159,423
Bonus	1,800,306	2,402,654
	<u>2,419,686</u>	<u>3,330,674</u>
	<b>Number of individuals</b>	
	2019	2018
Emolument bands:		
HKD0 – 1,000,000	—	—
HKD1,000,000 – 1,500,000	2	3
	<u>2</u>	<u>3</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

(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, Legal effect from the date of service of the ruling. “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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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 recognized on the balance sheet are as follows:

	<b>31 December 2019</b>	31 December 2018
Port facilities and others	<u><b>554,444,933</b></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 Company is committed to make an investment of RMB25,000,000 into the joint venture, Binzhou Port QDP International Terminal. As at 31 December 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, International development, a subsidiary of the Group, undertakes to purchase a 16.5% stake in Vado Investment held by Maersk Terminal for EUR1,745,370 and The share ratio increased to the Vado Investment Company by EUR14,077,800, with a total commitment of EUR15,823,170. As at 31 December 2019, the amount of the unpaid investment was EUR5,692,870.

According to the agreement signed with COSCO Shipping Ports and COSCO Shipping Ports (Abu Dhabi) Limited on 26 November 2019, International development promised to purchase 6,667 shares (representing 33.335% equity) of COSCO Shipping Ports (Abu Dhabi) Limited held by COSCO Shipping Ports at a consideration of USD59,276,030. As at 31 December 2019, International Development has not paid the aforementioned amount.

The Company’s subsidiary Technology Company and Qingdao Non-vehicle Operating Common Carrier Service Center Co., Ltd. signed an agreement on 1 July 2019, promising to set up a joint venture with the other party by its technology of RMB21.4 million at appraisal value, and Technology Company accounted for 30% of the registered capital. As at 31 December 2019, the joint venture company Qingdao Tianma Supply Chain Technology Co., Ltd. had been incorporated and established, but no capital contribution was made by Technology Company.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

### 10 COMMITMENTS (Continued)

#### (3) Credit commitments

As at 31 December 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 RMB195,136,417 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.

The Group entered into contracts with clients, some requested the Group to issue letter of guarantee to insure that the project will be completed in time with required quality as set out in the contract. As at 31 December 2019, Qingdao Finance issued letter of guarantee with the amount of approximately RMB51,514,350 (31 December 2018: RMB50,707,950) for the purpose aforesaid.

In view of the application of the Company's subsidiary, QDP Logistics, to the Shanghai Futures Exchange for domestic natural rubber, pulp and No. 20 standard rubber futures designated delivery warehouse qualification, in order to develop domestic natural rubber futures and stock, pulp stock and futures and No. 20 standard rubber stock and futures warehousing and related extension for the logistics business, the Board of Directors agreed to successively issue a guarantee letter for the application and business of the delivery warehouse qualification for the domestic natural rubber, pulp futures and No. 20 standard rubber futures of QDP Logistics respectively from 2018 according to the relevant regulations of the Shanghai Futures Exchange. The guarantee period is two years from the issue date of the guarantee letter to the expiry date of the designated delivery warehouse agreement (the expiry dates of the agreement are 30 June 2021, 11 November 2022 and 7 January 2022, respectively). The amount of the highest financial liability the Company should bear for QDP Logistics' futures delivery warehousing business is about RMB3.3 billion. As at 31 December 2019, the value of stocks for rubber, pulp and No. 20 standard rubber futures was RMB402 million.

Qingdao Shihua, the Company's joint venture, signed an agreement with Shanghai International Energy Exchange Co., Ltd. on 13 February 2018 to become the designated delivery warehouse of Shanghai International Energy Exchange. All liabilities for all operations such as warehousing, storage, outbound 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 31 December 2019, Qingdao Shihua had not yet had any related business transactions and business contracts related to crude oil futures delivery warehouse had expired and ceased.

### 11 EVENTS AFTER THE BALANCE SHEET DATE

According to the resolution of the Board of Directors on 26 March 2020, the Board of Directors proposed that the Company pay a cash dividend of 2019 to all shareholders at RMB2.003 (including tax) per ten shares. Based on the 6,491,100,000 shares issued, the proposed cash dividend are RMB1,300,167,330. The above proposal is yet to be approved by the general meeting of shareholders and has not been recognized as a liability in these financial statements (Note 4(11)).

The new coronavirus pneumonia epidemic broke out across the country in early 2020, and related prevention and control work continued throughout the country. The Group pays close attention to the development of the epidemic situation, adopts various measures to prevent and control the epidemic situation and strives to reduce its impact on the Group's business. The Group evaluated the impact of the epidemic on the Group's financial position and operating results. As of the date of approval of the financial statements, no significant adverse effects have been found.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

### 12 OPERATING LEASE RECEIPTS AFTER THE BALANCE SHEET DATE

The Group's future rent collection is summarized as follows:

	31 December 2019	31 December 2018
Within a year	57,302,027	60,553,428
One to two years	44,593,195	52,620,588
Two to three years	44,322,402	42,728,000
Three to four years	43,699,365	42,667,250
Four to five years	43,464,253	42,647,000
More than five years	<u>313,220,500</u>	<u>355,384,500</u>
	<u>546,601,742</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, interest rate risk and other), 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.

#### (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 EUR). The Group monitors the scale of foreign currency transactions and foreign currency assets and liabilities to minimize foreign exchange risks. As at 31 December 2019 the Group did not sign forward foreign exchange contracts or currency swap contracts.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

### 13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

#### (1) Market risk (Continued)

##### (a) Foreign exchange risk (Continued)

As at 31 December 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:

	31 December 2019			
	USD	EUR	Others	Total
Financial assets denominated in foreign currency –				
Cash at bank and on hand	1,142,562,629	—	15,101	1,142,577,730
Receivables	466,019,248	471,103	76,958	466,567,309
	<u>1,608,581,877</u>	<u>471,103</u>	<u>92,059</u>	<u>1,609,145,039</u>
Financial liabilities denominated in foreign currency –				
Payables	(396,123,222)	—	(32,883)	(396,156,105)
Short-term borrowings	(18,941,400)	—	—	(18,941,400)
Long-term borrowings	—	(76,309,390)	—	(76,309,390)
	<u>(415,064,622)</u>	<u>(76,309,390)</u>	<u>(32,883)</u>	<u>(491,406,895)</u>
	31 December 2018			
	USD	EUR	Others	Total
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>—</u>	<u>484,289</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>(80,524,826)</u>	<u>(19,735)</u>	<u>(184,321,776)</u>



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

### 13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

#### (1) Market risk (Continued)

##### (a) Foreign exchange risk (Continued)

As at 31 December 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 year would have been approximately RMB35,806,000 (31 December 2018: approximately RMB34,374,000) lower/higher for various financial assets and liabilities dominated in USD held by the Group whose recording currency is RMB, which would have no effect on other comprehensive income. As at 31 December 2019, if RMB had strengthened/weakened by 4% against the EUR while all other variables had been held constant, the Group's net profit for the year would have been approximately RMB2,391,000 (31 December 2018: RMB2,415,000) higher/lower for various financial assets and liabilities dominated in EUR held by the Group whose recording currency is RMB, which would have no effect on other comprehensive income.

##### (b) Interest rate risk

The Group's interest rate risk arises from cash at bank and on hand, loans provided to related parties and third parties, customer deposits at Qingdao Finance, bank borrowings, bonds payable. Except for certain cash at bank and on hand, certain customer deposits at Qingdao Finance, certain loans provided to related parties and third parties with fixed interest rate and bonds payable, the amounts aforesaid are all subject to floating interest rate. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions.

As at 31 December 2019, the Group's interest bearing liabilities included customer deposits at Qingdao Finance of RMB4,759,108,178 (Note 4(28)), among which RMB4,619,657,587 was subject to floating interest rate and the remaining are subject to fixed interest rate; bonds payable of RMB2,116,900,000 (Note 4(30)) was subject to fixed interest rate; and bank borrowings of RMB289,191,577 (Note 4(22), (29)), among which RMB85,160,687 was subject to floating rates and the remaining are subject to fixed interest rate.

As at 31 December 2019, the Group's interest bearing assets included cash at bank and on hand of RMB6,846,399,847 (Note 4(1)), among which RMB4,720,623,847 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 RMB2,599,309,735 (Note 4(7), (11)), among which RMB801,733,002 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 year ended 31 December 2019, the Group did not enter into any interest rate swap agreements (For the year ended 31 December 2018: nil).

As at 31 December 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 RMB320,000 (31 December 2018: approximately RMB790,000).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

### 13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

#### (1) Market risk (Continued)

##### (b) Interest rate risk (Continued)

As at 31 December 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 31 December 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 RMB2,121,000 (31 December 2018: approximately RMB5,644,000).

##### (c) Other price risk

The Group's other price risks mainly arise from all kinds of equity instrument investments, with risk of changes in the price of equity instruments.

As at 31 December 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 RMB5,416,000. (31 December 2018: approximately RMB5,416,000).

#### (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 investments, other debt investments and financial guarantee contracts as well as debt instruments measured at fair value through profit or loss that are not included in the impairment assessment scope. On the balance sheet date, the carrying amount of the Group's financial assets represented its maximum credit risk exposure. Except for the company's guarantee for Qinggang Logistics futures delivery warehouse business mentioned in Note 13(3), the maximum credit risk exposure outside the balance sheet is the maximum amount of RMB246,650,767 required to perform financial guarantee.

The Group's cash at bank and on hand is mainly cash at bank deposited at state-owned banks and other medium or large size listed banks with good reputation and a higher credit rating. The Group does not expect that there will be any significant credit risk and losses from non-performance by these banks.

In addition, the Group has relevant policies to limit the credit risk 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 customers 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 customers is regularly monitored by the Group. In respect of customers 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 31 December 2019, the Group had no significant collateral or other credit enhancements held as a result of the debtor's mortgage.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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 are readily available and continuous monitoring of compliance with the loan agreement provisions, from major financial institutions to obtain sufficient backup funds to meet short-term and long-term funding needs.

The financial liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2019				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term borrowings	130,583,654	—	—	—	130,583,654
Notes payable	1,164,769,783	—	—	—	1,164,769,783
Accounts payable	1,411,666,083	—	—	—	1,411,666,083
Other payables	7,217,951,386	—	—	—	7,217,951,386
Lease liabilities	—	104,061,215	301,649,787	10,863,511	416,574,513
Current portion of non-current liabilities	256,301,164	—	—	—	256,301,164
Bonds payables	22,811,686	2,218,695,577	—	—	2,241,507,263
Long-term borrowings	4,970,623	34,615,277	104,448,355	—	144,034,255
Long-term payables	—	2,100,000	6,300,000	34,695,019	43,095,019
	<u>10,209,054,379</u>	<u>2,359,472,069</u>	<u>412,398,142</u>	<u>45,558,530</u>	<u>13,026,483,120</u>
	31 December 2018				Total
	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>

At the balance sheet date, the maximum guarantee amount for financial guarantees provided by the Group to outside parties can be paid within one year.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
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### 13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

#### (3) Liquidity risk (Continued)

Bank borrowings and bonds payable are analysed by repayment terms as follows:

	31 December 2019		31 December 2018	
	Bank borrowings	Bonds payable	Bank borrowings	Bonds payable
Within 1 year	156,308,589	—	194,092,204	3,500,000,000
1 to 2 years	30,430,000	2,116,900,000	27,910,000	—
2 to 5 years	102,452,988	—	132,882,988	—
	<u>289,191,577</u>	<u>2,116,900,000</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.

#### (1) Assets and liabilities measured at fair value on a recurring basis

As at 31 December 2019, the assets measured at fair value on a continuing basis are listed below at the 3 levels above:

	Level 1	Level 3	Total
Monetary assets			
Financial assets held for sale –			
Non-principal-guaranteed floating income wealth management products	200,997,200	700,000,000	900,997,200
Financial bond	51,675,953	—	51,675,953
Financing receivables –			
Notes receivable	—	705,149,454	705,149,454
Other current assets –			
Interbank deposit certificate	4,382,429,400	—	4,382,429,400
Other non-current financial assets –			
Financial bond	465,888,977	—	465,888,977
Equity investment	—	72,207,877	72,207,877
Total	<u>5,100,991,530</u>	<u>1,477,357,331</u>	<u>6,578,348,861</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
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## 14 FAIR VALUE ESTIMATES (Continued)

## (1) Assets and liabilities measured at fair value on a recurring basis (Continued)

As at 31 December 2018, the assets measured at fair value on a continuing basis are listed below at the 3 levels above:

	Level 1	Level 3	Total
Monetary assets			
Financial assets held for sale –			
Non-principal-guaranteed floating income			
wealth management products	4,000,000	871,000,000	875,000,000
Financing receivables –			
Notes receivable	—	670,396,485	670,396,485
Other current assets –			
Interbank deposit certificate	2,379,192,650	—	2,379,192,650
Other non-current financial assets –			
Financial bond	135,372,690	—	135,372,690
Equity investment	—	72,207,877	72,207,877
Non-principal-guaranteed floating income			
wealth management products	—	61,000,000	61,000,000
Total	<u>2,518,565,340</u>	<u>1,674,604,362</u>	<u>4,193,169,702</u>

The Group has no continuing liabilities measured at fair value.

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. There are no transfers between levels for the current year.

For financial instruments traded in active markets, the Group determines their fair value with their active market quotations; for financial instruments not traded in active markets, the Group uses valuation techniques to determine their fair value. The valuation models used mainly comprise discounted cash flow model and market comparable corporate model. The inputs of valuation technique mainly include risk-free interest rate, benchmark interest rate, expected yield, liquidity premium, EBITDA multiplier and liquidity discount.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
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### 14 FAIR VALUE ESTIMATES (Continued)

#### (1) Assets and liabilities measured at fair value on a recurring basis (Continued)

Changes of the above Level 3 financial assets are analysed below:

	31 December 2018	Purchase	Sale	Settle	31 December 2019	The total profit of the current year is included in the profit and loss (a)
Monetary assets						
Financial assets held for sale –						
Non-principal-guaranteed floating income wealth management products	871,000,000	1,805,000,000	(1,976,000,000)	—	700,000,000	35,747,912
Financing receivables –						
Notes receivable	670,396,485	3,128,492,446	(2,288,723,267)	(805,016,210)	705,149,454	(4,144,864)
Other non-current financial assets –						
Equity investment	72,207,877	—	—	—	72,207,877	11,272,600
Non-principal-guaranteed floating income wealth management products	61,000,000	—	(61,000,000)	—	—	2,737,479
<b>Total</b>	<b>1,674,604,362</b>	<b>4,933,492,446</b>	<b>(4,325,723,267)</b>	<b>(805,016,210)</b>	<b>1,477,357,331</b>	<b>45,613,127</b>

	1 January 2018	Purchase	Sale	Settle	31 December 2018	The total profit of the current year is included in the profit and loss (a)
Monetary assets						
Financial assets held for sale –						
Non-principal-guaranteed floating income wealth management products	639,000,000	2,066,000,000	(1,834,000,000)	—	871,000,000	33,948,586
Financing receivables –						
Notes receivable	500,421,414	3,628,193,775	(2,221,206,563)	(1,237,012,141)	670,396,485	—
Other non-current financial assets –						
Equity investment	72,207,877	—	—	—	72,207,877	3,698,500
Non-principal-guaranteed floating income wealth management products	111,357,788	—	(50,357,788)	—	61,000,000	4,426,795
<b>Total</b>	<b>1,322,987,079</b>	<b>5,694,193,775</b>	<b>(4,105,564,351)</b>	<b>(1,237,012,141)</b>	<b>1,674,604,362</b>	<b>42,073,881</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
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### 14 FAIR VALUE ESTIMATES (Continued)

#### (1) Assets and liabilities measured at fair value on a recurring basis (Continued)

- (a) Gains or losses included in the current profit and loss are included in the income statement, such as changes in fair value changes, investment income, etc.
- (b) As at 31 December 2019, the Company's Level 3 financial assets are mainly wealth management products, notes receivable and equity instruments. The valuation methods is expected return method, market comparable company method, etc. Its unobservable inputs are its expected rate of return, EBITDA multiplier, and lack of liquidity discounts. Management evaluates its fair value based on the above inputs.

#### (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 notes receivables and account receivables, other receivables, debt investments, long-term receivables, short-term borrowings, notes payables and 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.

### 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 31 December 2019 and 31 December 2018, the Group's gearing ratio is as follows:

	31 December 2019	31 December 2018
Principal on bank borrowings (Note 4(22), (29))	289,191,577	354,885,192
Customer deposits at Qingdao Finance (Note 4(28))	4,759,108,178	3,923,373,004
Bonds payable (Note 4(30))	2,116,900,000	3,500,000,000
Less: Cash (Note 4(54)(c))	<u>(3,998,246,081)</u>	<u>(4,014,278,650)</u>
Net debt	3,166,953,674	3,763,979,546
Shareholders' equity	<u>33,597,362,042</u>	<u>29,419,524,243</u>
Total capital	<u>36,764,315,716</u>	<u>33,183,503,789</u>
Gearing ratio	<u>9%</u>	<u>11%</u>



## NOTES TO THE FINANCIAL STATEMENTS

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### 16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

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

	<b>31 December 2019</b>	31 December 2018
Cash at bank	<b>8,255,276,453</b>	8,441,994,530
Other cash balances	<b>9,811,661</b>	2,560,070
	<b><u>8,265,088,114</u></b>	<u>8,444,554,600</u>
Including: Amounts deposited abroad	<b>167,474,289</b>	132,132,211

As at 31 December 2019, other monetary funds included the deposit of RMB8,476,340 (31 December 2018: RMB2,560,070) deposited by the Company to the bank for the issuance of acceptance bills. RMB1,335,321 (31 December 2018: Nil).

As 31 December 2019, the Company had RMB6,027,363,445 (31 December 2018: RMB6,485,496,454) bank deposits were deposited with Qingdao Finance, a subsidiary of the Company.

#### (2) Accounts receivable

	<b>31 December 2019</b>	31 December 2018
Accounts receivable	<b>1,048,696,054</b>	763,749,902
Less: Provision for bad debts	<b>(52,250,286)</b>	(37,351,896)
	<b><u>996,445,768</u></b>	<u>726,398,006</u>

The Company's income are partially made by cash, advances from customers, bank acceptance notes and trade acceptance notes. The remains are settled mainly by providing credit terms of 90 days.

#### (a) The age of receivables and provision for bad debts are as follows:

	<b>31 December 2019</b>	31 December 2018
Within 1 year	<b>1,004,725,899</b>	728,942,494
1 to 2 years	<b>41,390,001</b>	27,889,791
2 to 3 years	—	800,000
3 to 4 years	—	4,733,134
4 to 5 years	<b>1,195,671</b>	1,384,483
Over 5 years	<b>1,384,483</b>	—
	<b><u>1,048,696,054</u></b>	<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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

### 16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### (2) Accounts receivable (Continued)

(b) As at 31 December 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>594,854,569</u>	<u>(29,742,728)</u>	<u>56.72%</u>

(c) As at 31 December 2019, the Group had no accounts receivable derecognized due to factoring without recourse (As at 31 December 2018: nil).

#### (d) Bad debt provision

The Company measures the provision of accounts receivable based on the lifetime ECL regardless of whether there exists a significant financing component.

Accounts receivables are analysed by category as follows:

	31 December 2019			
	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	0.11%	(1,195,671)	100.00%
Bad debt provision on the grouping basis				
Group A	82,693,203	7.89%	—	—
Group D (ii)	<u>964,807,180</u>	<u>92.00%</u>	<u>(51,054,615)</u>	<u>5.29%</u>
	<u>1,048,696,054</u>	<u>100.00%</u>	<u>(52,250,286)</u>	

	31 December 2018			
	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	0.16%	(1,195,671)	100.00%
Bad debt provision on the grouping basis				
Group A	86,423,344	11.32%	—	—
Group D (ii)	<u>676,130,887</u>	<u>88.52%</u>	<u>(36,156,225)</u>	<u>5.35%</u>
	<u>763,749,902</u>	<u>100.00%</u>	<u>(37,351,896)</u>	

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

### 16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### (2) Accounts receivable (Continued)

##### (d) Bad debt provision (Continued)

- (i) Due to Haikou Nanqing RMB1,195,671, the company has declared bankruptcy. The company believes that the above receivables are difficult to recover, so it made provision for bad debts in full.
- (ii) Accounts receivable for which the related provision for bad debts is provided on the grouping basis are analysed as follows:

	31 December 2019		
	Ending balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Within 1 year	933,442,760	4.44%	(41,479,613)
1 to 2 years	29,979,937	27.32%	(8,190,519)
Over 2 years	1,384,483	100.00%	(1,384,483)
	<u>964,807,180</u>		<u>(51,054,615)</u>
	31 December 2018		
	Ending balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Within 1 year	654,120,044	5.00%	(32,706,002)
1 to 2 years	19,526,359	10.00%	(1,952,636)
Over 2 years	2,484,484	60.28%	(1,497,587)
	<u>676,130,887</u>		<u>(36,156,225)</u>

- (iii) For the year ended on 31 December 2019, the provision for bad debts in the current year amounted to RMB14,898,390, and there are no reversal or written off of the Company's provision for bad debts for the current year.

- (e) As at 31 December 2019, the Company has no pledge of accounts receivable. (31 December 2018: nil)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

### 16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### (3) Financing receivables

	31 December 2019	31 December 2018
Bank acceptance notes	<u>451,458,292</u>	<u>357,958,050</u>

- (a) The Company endorses or discounts part of the bank acceptance notes for its daily fund management purpose and meet the conditions for derecognition. Therefore, the bank acceptance notes are classified as financial assets at fair value through other comprehensive income. 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 31 December 2019 and 31 December 2018, the Company had no pledged acceptance notes.
- (c) As at 31 December 2019, the bank acceptance notes that the Company has endorsed but have not yet expired amounted to RMB576,700,923 and has derecognized (31 December 2018: RMB526,227,118).

#### (4) Other receivables

	31 December 2019	31 December 2018
Provide entrusted loans to subsidiaries	430,385,271	—
Port construction fees receivable	57,149,733	39,299,143
Interest receivable	32,346,874	8,041,075
Construction expenditures paid on behalf of subsidiaries	29,999,957	30,511,179
Receivable subsidiary rental fee	13,285,491	—
Deposits and guarantees	3,511,945	14,301,232
Others	<u>19,766,071</u>	<u>39,407,005</u>
	<b>586,445,342</b>	131,559,634
Less: Provision for bad debts	<u>(4,581,427)</u>	<u>(5,478,767)</u>
	<u><b>581,863,915</b></u>	<u>126,080,867</u>

#### (a) The age of other receivables is as follows:

	31 December 2019	31 December 2018
Within 1 year	550,663,121	120,491,988
1 to 2 years	34,875,762	10,924,132
2 to 3 years	774,945	3,000
3 to 4 years	1,800	17,232
4 to 5 years	7,632	105,682
Over 5 years	<u>122,082</u>	<u>17,600</u>
	<u><b>586,445,342</b></u>	<u>131,559,634</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

### 16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### (4) Other receivables (Continued)

##### (b) Loss provisions and the movement in the carrying balance

	Stage 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 Year/reverse	454,885,708	897,340
31 December 2019	<u>586,445,342</u>	<u>(4,581,427)</u>

As at 31 December 2019 and 31 December 2018, the Group did not have any other receivables for the provision of bad debts. The provision for bad debts for other receivables in the first phase are as follows:

	31 December 2019			31 December 2018		
	Amount	Provision for bad debts		Amount	Provision for bad debts	
	Amount	Amount	% of total balance	Amount	Amount	% of total balance
Group A						
Within 1 year	444,915,187	—	—	34,998,158	—	—
Over 1 year	29,999,957	—	—	—	—	—
Group C						
Within 1 year	31,102,449	—	—	8,041,075	—	—
Group E						
Within 1 year	74,645,485	(3,732,274)	5.00%	77,452,755	(3,872,638)	5.00%
Over 1 year	5,782,264	(849,153)	14.69%	11,067,646	(1,606,129)	14.51%
	<u>586,445,342</u>	<u>(4,581,427)</u>		<u>131,559,634</u>	<u>(5,478,767)</u>	

- (c) For the year ended 31 December 2019, the amount of bad debt provision reversed during the year was RMB897,340, which was reversed for the amount of bad debt provision made on the grouping basis. For the year ended 31 December 2019, the Company has no other receivables actually written off.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

## 16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

## (4) Other receivables (Continued)

(d) As at 31 December 2019, top five other receivables are analysed as follows

	Nature	Amount	Ageing	% of total	Provision for bad debts
Mercuria Logistics	Construction expenditures paid on behalf of others	290,159,271	Within 2 years	49.48%	—
Liquid chemical terminal	Entrusted loans and interest receivables	170,225,958	Within 1 year	29.03%	—
QDOT	Rent and Port construction fees	22,704,038	Within 1 year	3.87%	(1,135,202)
Lianjie Logistics	Rent	12,242,150	Within 1 year	2.09%	—
Shandong Hongqiao New Material Co., Ltd.	Port construction fees	7,147,096	Within 1 year	1.22%	(357,355)
		<u>502,478,513</u>		<u>85.68%</u>	<u>(1,492,557)</u>

(e) As at 31 December 2019 and 31 December 2018, the Company did not have government grants recognized in accordance with the amount receivable.

(f) As at 31 December 2019 and 31 December 2018, Other receivables were not pledged by the Company.

## (5) Long-term receivables

	31 December 2019	31 December 2018
Loans provided to subsidiaries	2,266,179,235	2,510,000,000
Loans provided to other related parties	222,322,208	310,000,000
Less: Overdue within one year	<u>(630,501,443)</u>	<u>(910,000,000)</u>
	<u>1,858,000,000</u>	<u>1,910,000,000</u>
Provision for loan impairment	(5,865,889)	(8,191,106)
Less: Current portion of provision for loan impairment	<u>5,865,889</u>	<u>—</u>
	<u>—</u>	<u>(8,191,106)</u>
	<u>1,858,000,000</u>	<u>1,901,808,894</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
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### 16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### (5) Long-term receivables (Continued)

##### (a) Loss provisions and the movement in the carrying balance

	Stage 1	
	ECL over the next 12 months	
	Amount	Provision for bad debt
31 December 2018	2,820,000,000	(8,191,106)
Reverse in the current year	(331,498,557)	2,325,217
31 December 2019	<u>2,488,501,443</u>	<u>(5,865,889)</u>

As at 31 December 2019 and 2018, the analysis of bad debt provision for long-term receivables in the first stage is as follows:

	31 December 2019			31 December 2018		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
	Amount	Amount	% of total balance	Amount	Amount	% of total balance
Group A						
Within 1 year	2,266,179,235	—	—	2,510,000,000	—	—
Group B						
Within 1 year	<u>222,322,208</u>	<u>(5,865,889)</u>	2.64%	<u>310,000,000</u>	<u>(8,191,106)</u>	2.64%
	<u>2,488,501,443</u>	<u>(5,865,889)</u>		<u>2,820,000,000</u>	<u>(8,191,106)</u>	

#### (6) Long-term equity investments

	31 December 2019	31 December 2018
Subsidiaries (a)	4,361,956,253	3,913,513,156
Joint ventures (b)	9,525,980,561	9,335,621,836
Associates (c)	<u>103,584,420</u>	104,001,980
	<u>13,991,521,234</u>	<u>13,353,136,972</u>



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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

	31 December 2018	Increase in investment	Decrease in investment	31 December 2019	Profit declared in the current year
Yongli Insurance	7,866,558	—	—	7,866,558	4,186,508
QDP Logistics	257,374,925	—	—	257,374,925	276,600,000
Hongyu Cargo Agency	12,811,516	—	(12,811,516)	—	—
GLS Shipping	23,580,830	—	—	23,580,830	—
Ocean Shipping Repair	3,666,959	—	—	3,666,959	464,130
Qingdao Port Engineering	114,455,552	—	—	114,455,552	—
Ocean Shipping Tally	389,296,880	—	—	389,296,880	128,102,466
Gangjia Logistics	7,299,874	—	—	7,299,874	5,100,000
Gangrong Storage	7,952,229	—	—	7,952,229	—
Duty-free Merchandise	2,931,373	—	(2,931,373)	—	—
Datang Port	179,109,502	—	—	179,109,502	—
Qingdao Finance	700,000,000	—	—	700,000,000	—
Mercuria Logistics	273,278,376	—	—	273,278,376	—
Mercuria Oil Terminal	182,079,200	—	—	182,079,200	—
Eimskip Coldchain	14,000,000	—	—	14,000,000	—
Qingdao Port Properties	5,000,000	—	—	5,000,000	13,045,905
Culture Media	3,000,000	—	—	3,000,000	462,046
International Development	40,307,042	—	—	40,307,042	—
Tongbao Shipping	20,000,000	—	—	20,000,000	6,799,998
DMT	480,000,000	—	—	480,000,000	—
Lianhua Pipeline	441,660,000	—	—	441,660,000	—
Technology Company	20,000,000	—	—	20,000,000	28,865,796
Svitzer Towage	115,500,000	—	—	115,500,000	6,920,270
Tongze Trading	10,000,000	—	—	10,000,000	8,394,218
Bonded Logistics Centre	25,458,868	—	—	25,458,868	—
Liquid Chemical Terminal	295,883,472	88,265,986	—	384,149,458	—
Tongan Security	1,000,000	—	—	1,000,000	—
Qingdong pipe	255,000,000	—	—	255,000,000	—
Tongda Oil & Gas	25,000,000	25,000,000	—	50,000,000	—
Tongan Environmental Protection	—	2,000,000	—	2,000,000	—
Qingzi Logistics	—	200,000,000	—	200,000,000	—
Zhenhua Petroleum Storage	—	148,920,000	—	148,920,000	—
	<u>3,913,513,156</u>	<u>464,185,986</u>	<u>(15,742,889)</u>	<u>4,361,956,253</u>	<u>478,941,337</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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

	31 December 2018	Increase in investment	Movements in the current year			Unrealized profits and losses	31 December 2019
			Share of net profit/(loss) under equity method	Other equity changes	Cash dividends/ profit declared		
QQCT	5,576,489,242	—	859,227,870	8,195,995	(792,889,894)	(5,728,964)	5,645,294,249
Qingdao Shihua	1,598,312,372	—	388,172,465	—	(400,000,000)	(2,185,976)	1,584,298,861
West United	487,092,713	—	27,669,396	—	(10,200,000)	(1,110,454)	503,451,655
Qingwei Container	138,668,888	—	22,662,489	(49,000)	—	—	161,282,377
Evergreen Container	71,031,963	—	15,695,562	437,829	(21,457,807)	—	65,707,547
Orient Container	53,337,407	—	4,647,191	—	(7,254,681)	—	50,729,917
Haiwan Liquid Chemical	148,950,063	—	6,540,771	—	—	—	155,490,834
Ganghai Logistics	93,597,573	—	8,775,290	—	—	—	102,372,863
Shenzhouxing Cargo Agency	39,525,161	—	7,270,472	—	—	—	46,795,633
China Shipping Agency	10,966,207	—	896,336	—	—	—	11,862,543
United Shipping Agency	55,661,870	—	1,597,314	—	(1,121,560)	—	56,137,624
Huaneng Qingdao	141,366,590	—	(13,414,669)	—	—	—	127,951,921
Dongjiakou IMC Logistics	70,351,716	—	25,019,484	—	—	—	95,371,200
QDOT	693,024,271	—	22,248,425	—	—	(6,418,929)	708,853,767
Dongjiakou Sinotrans Logistics	50,496,966	—	1,011,069	—	—	—	51,508,035
Binzhou Port QDP International Terminal	13,333,523	—	7,145,853	—	(8,296,045)	—	12,183,331
PetroChina Storage	93,415,311	53,584,689	(311,796)	—	—	—	146,688,204
	<u>9,335,621,836</u>	<u>53,584,689</u>	<u>1,384,853,522</u>	<u>8,584,824</u>	<u>(1,241,219,987)</u>	<u>(15,444,323)</u>	<u>9,525,980,561</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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

	31 December 2018	Movements for the current year			31 December 2019
		Reduce investment	Share of net profit/(loss) under equity method	Cash dividends/ Profit declared	
Ganghua Logistics	9,679,972	(6,872,083)	(1,242,047)	(1,565,842)	—
Qingyin Financial Leasing	94,322,008	—	9,262,412	—	103,584,420
	<u>104,001,980</u>	<u>(6,872,083)</u>	<u>8,020,365</u>	<u>(1,565,842)</u>	<u>103,584,420</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 recognized 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
<b>Cost</b>			
31 December 2018	264,377,063	1,290,591,224	1,554,968,287
Transfer from fixed assets	6,560,347	—	6,560,347
Transfer from intangible assets	—	200,771,982	200,771,982
	<u>270,937,410</u>	<u>1,491,363,206</u>	<u>1,762,300,616</u>
31 December 2019	270,937,410	1,491,363,206	1,762,300,616
<b>Accumulated depreciation</b>			
31 December 2018	(52,751,262)	(158,441,090)	(211,192,352)
Increase in the current year	(10,566,968)	(35,543,163)	(46,110,131)
Transfer from fixed assets	(504,605)	—	(504,605)
Transfer from intangible assets	—	(15,399,959)	(15,399,959)
	<u>(63,822,835)</u>	<u>(209,384,212)</u>	<u>(273,207,047)</u>
31 December 2019	(63,822,835)	(209,384,212)	(273,207,047)
<b>Net book value</b>			
31 December 2019	<u>207,114,575</u>	<u>1,281,978,994</u>	<u>1,489,093,569</u>
31 December 2018	<u>211,625,801</u>	<u>1,132,150,134</u>	<u>1,343,775,935</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

### 16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### (7) Investment properties (Continued)

	Buildings	Land use rights	Total
<b>Cost</b>			
31 December 2017	261,072,710	497,731,640	758,804,350
Transfer from fixed assets	3,304,353	—	3,304,353
Transfer from intangible assets	—	792,859,584	792,859,584
	<u>264,377,063</u>	<u>1,290,591,224</u>	<u>1,554,968,287</u>
31 December 2018	<u>264,377,063</u>	<u>1,290,591,224</u>	<u>1,554,968,287</u>
<b>Accumulated depreciation</b>			
31 December 2017	(41,560,048)	(45,744,823)	(87,304,871)
Increase in the current year	(10,770,805)	(32,239,440)	(43,010,245)
Transfer from fixed assets	(420,409)	—	(420,409)
Transfer from intangible assets	—	(80,456,827)	(80,456,827)
	<u>(52,751,262)</u>	<u>(158,441,090)</u>	<u>(211,192,352)</u>
31 December 2018	<u>(52,751,262)</u>	<u>(158,441,090)</u>	<u>(211,192,352)</u>
<b>Net book value</b>			
31 December 2018	<u>211,625,801</u>	<u>1,132,150,134</u>	<u>1,343,775,935</u>
31 December 2017	<u>219,512,662</u>	<u>451,986,817</u>	<u>671,499,479</u>

As at 31 December 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 year ended 31 December 2019, no capitalized borrowing cost was recognized in investment properties.

As at 31 December 2019, investment properties with the net book value of RMB6,055,742 and cost of RMB6,560,347 (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 year ended 31 December 2019  
(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
<b>Cost</b>										
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 31(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 year										
Transfers from construction in progress	115,375,676	4,018,044	—	37,663,919	1,644,463	2,427,601	—	1,561,791	—	162,691,494
Purchase in the current year	—	1,292,306	—	31,841,350	7,373,706	—	5,546,305	6,834,268	1,947,786	54,835,721
Transfer from right-of-use assets	—	—	—	1,910,949	—	—	—	—	—	1,910,949
Decrease in the current year										
Disposal and scrapping	—	(54,518)	—	(4,959,076)	(2,804,885)	—	(1,824,094)	(1,623,547)	(307,406)	(11,573,526)
Transfer to investment properties	(6,560,347)	—	—	—	—	—	—	—	—	(6,560,347)
31 December 2019	376,827,186	5,685,667,072	2,179,068,612	990,477,365	279,014,941	833,865,549	57,637,088	99,837,171	23,474,212	10,525,869,196
<b>Accumulated depreciation</b>										
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 31(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 year										
Provision	(11,920,536)	(154,401,472)	(66,843,868)	(81,145,228)	(27,347,708)	(51,238,922)	(4,126,115)	(13,063,542)	(1,486,969)	(411,574,360)
Transfer from right-of-use assets	—	—	—	(42,041)	—	—	—	—	—	(42,041)
Decrease in the current year										
Disposal and scrapping	—	16,042	—	4,720,102	2,662,524	—	1,503,594	783,398	269,046	9,954,706
Transfer to investment properties	504,605	—	—	—	—	—	—	—	—	504,605
31 December 2019	(68,020,929)	(935,412,509)	(357,970,811)	(757,575,088)	(144,310,495)	(325,266,792)	(36,480,043)	(58,131,889)	(15,919,468)	(2,699,088,024)
<b>Net book value</b>										
31 December 2019	308,806,257	4,750,254,563	1,821,097,801	232,902,277	134,704,446	508,598,757	21,157,045	41,705,282	7,554,744	7,826,781,172
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 year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

### 16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### (8) Fixed assets (Continued)

	Buildings	Port facilities	Storage facilities	Loading equipment	Machinery and equipment	Vessels	Motor vehicles	Communication facilities	Office equipment and others	Total
<b>Cost</b>										
31 December 2017	271,307,550	5,680,290,855	2,063,129,297	936,400,152	213,311,060	831,437,948	49,909,691	80,017,920	20,369,556	10,146,174,029
Increase in the current year										
Transfers from construction in progress	8,660	—	115,900,315	5,976,484	26,277,880	—	—	3,356,244	59,442	151,579,025
Purchase in the current year	—	120,385	39,000	15,366,167	34,973,614	91,439,655	5,693,766	10,122,965	2,794,381	160,549,933
Decrease in the current year										
Disposal and scrapping	—	—	—	(25,643,270)	(1,760,897)	—	(1,688,580)	(432,470)	(1,389,547)	(30,914,764)
Transfer to investment properties	(3,304,353)	—	—	—	—	—	—	—	—	(3,304,353)
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
<b>Accumulated depreciation</b>										
31 December 2017	(44,852,754)	(624,038,465)	(226,826,766)	(612,325,232)	(95,646,561)	(220,005,700)	(30,240,528)	(34,049,361)	(14,032,930)	(1,902,018,297)
Increase in the current year										
Provision	(12,172,653)	(156,988,614)	(64,300,177)	(91,641,756)	(25,158,116)	(54,022,170)	(4,538,376)	(11,981,667)	(1,508,365)	(422,311,894)
Decrease in the current year										
Disposal and scrapping	—	—	—	22,623,261	1,179,366	—	921,382	179,283	839,750	25,743,042
Transfer to investment properties	420,409	—	—	—	—	—	—	—	—	420,409
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)
<b>Net book value</b>										
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
31 December 2017	226,454,796	5,056,252,390	1,836,302,531	324,074,920	117,664,499	611,432,248	19,669,163	45,968,559	6,336,626	8,244,155,732

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

### 16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### (8) Fixed assets (Continued)

As at 31 December 2019 and 31 December 2018, the Company had no fixed assets which were mortgaged.

For the year ended 31 December 2019, the amounts of depreciation expenses were RMB411,574,360 (For the year ended 31 December 2018: RMB422,311,894) including charged to cost of sales and general and administrative expenses were RMB394,911,900 and RMB16,662,460 respectively (For the year ended 31 December 2018: RMB407,605,035 and RMB14,706,859).

For the year ended 31 December 2019, the costs of fixed assets transferred from construction in progress amount to RMB162,691,494 (For the year ended 31 December 2018: RMB151,579,025).

As at 31 December 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 31 December 2019, properties with book values of RMB176,181 (Cost: RMB193,531) and RMB111,697,425 (Cost: RMB111,697,425), respectively, were located on non-ownership land and had not yet completed the financial accounts for the completion of the project. The property right certificate had not been obtained.

As of 31 December 2018: The property with a book value of RMB182,916 (Cost: RMB193,531) is located on non-ownership land, and the property right certificate has not been processed.

#### (9) Construction in progress

	31 December 2019			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	762,097,395	—	762,097,395	479,440,622	—	479,440,622
Dongjiakou bulk cargo berths and storage yard project	483,119,729	—	483,119,729	641,819,662	—	641,819,662
Other projects	88,636,368	—	88,636,368	95,095,116	—	95,095,116
	<u>1,333,853,492</u>	<u>—</u>	<u>1,333,853,492</u>	<u>1,216,355,400</u>	<u>—</u>	<u>1,216,355,400</u>



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(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 year	Transfer to fixed assets	Other decrease (Note 4(15))	31 December 2019	% 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	243,387,155	—	—	762,097,395	45%	45%	Internal capital
Dongjiakou bulk cargo berths and storage yard project	1,376,490,000	641,819,662	38,375,193	(111,697,426)	(85,377,700)	483,119,729	67%	67%	Internal capital
Other projects		95,095,116	44,535,320	(50,994,068)	—	88,636,368			Internal capital
		<u>1,216,355,400</u>	<u>365,567,286</u>	<u>(162,691,494)</u>	<u>(85,377,700)</u>	<u>1,333,853,492</u>			

Project name	Budget	31 December 2017	Increase in the current year	Transfer to fixed assets	31 December 2018	% of project investment among budget	Progress of the project	Sources of capital
Dongjiakou stevedoring, storage and transportation projects for liquid bulk cargo	1,596,610,000	401,009,725	78,430,897	—	479,440,622	30%	30%	Internal capital
Dongjiakou bulk cargo berths and storage yard project	1,376,490,000	622,953,990	132,610,712	(113,745,040)	641,819,662	65%	65%	Internal capital
Other projects		50,198,259	82,730,842	(37,833,985)	95,095,116			Internal capital
		<u>1,074,161,974</u>	<u>293,772,451</u>	<u>(151,579,025)</u>	<u>1,216,355,400</u>			

As at 31 December 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 year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

## 16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

## (10) Intangible assets

	Land use rights	Software	Sea area use rights	Others	Total
<b>Cost</b>					
31 December 2018	2,283,777,850	58,441,596	1,362,580	32,269,286	2,375,851,312
Increase in the current year					
Purchase	141,804,989	4,240,533	—	—	146,045,522
Internal research and development	—	9,552,088	—	—	9,552,088
Decrease in the current year					
Transfer into investment properties	(200,771,982)	—	—	—	(200,771,982)
31 December 2019	2,224,810,857	72,234,217	1,362,580	32,269,286	2,330,676,940
<b>Accumulated amortization</b>					
31 December 2018	(177,033,591)	(21,218,346)	(136,262)	(17,360,432)	(215,748,631)
Increase in the current year					
Provision	(43,825,908)	(10,317,617)	(27,252)	(3,006,250)	(57,177,027)
Decrease in the current year					
Transfer into investment properties	15,399,959	—	—	—	15,399,959
31 December 2019	(205,459,540)	(31,535,963)	(163,514)	(20,366,682)	(257,525,699)
<b>Net book value</b>					
31 December 2019	2,019,351,317	40,698,254	1,199,066	11,902,604	2,073,151,241
31 December 2018	2,106,744,259	37,223,250	1,226,318	14,908,854	2,160,102,681

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

### 16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### (10) Intangible assets (Continued)

	Land use rights	Software	Sea area use rights	Others	Total
<b>Cost</b>					
31 December 2017	2,381,989,069	31,229,796	1,362,580	32,269,286	2,446,850,731
Increase in the current year					
Purchase	764,214,738	—	—	—	764,214,738
Internal research and development	—	27,211,800	—	—	27,211,800
Decrease in the current year					
Transfer into investment properties	(792,859,584)	—	—	—	(792,859,584)
Others	(69,566,373)	—	—	—	(69,566,373)
31 December 2018	2,283,777,850	58,441,596	1,362,580	32,269,286	2,375,851,312
<b>Accumulated amortization</b>					
31 December 2017	(212,760,184)	(14,129,068)	(109,010)	(14,354,182)	(241,352,444)
Increase in the current year					
Provision	(46,229,967)	(7,089,278)	(27,252)	(3,006,250)	(56,352,747)
Decrease in the current year					
Transfer into investment properties	80,456,827	—	—	—	80,456,827
Others	1,499,733	—	—	—	1,499,733
31 December 2018	(177,033,591)	(21,218,346)	(136,262)	(17,360,432)	(215,748,631)
<b>Book value</b>					
31 December 2018	2,106,744,259	37,223,250	1,226,318	14,908,854	2,160,102,681
31 December 2017	2,169,228,885	17,100,728	1,253,570	17,915,104	2,205,498,287

For the year ended 31 December 2019, the amortization of intangible assets amounted to RMB57,177,027 (For the year ended 31 December 2018: RMB56,352,747).

As at 31 December 2019 and 31 December 2018, the Company had no intangible assets which were mortgaged.

As at 31 December 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

## 16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

## (10) Intangible assets (Continued)

The Company's development expenses are as follows:

	31 December 2018	Increase in the current year	Decrease in the current year		31 December 2019
			Recorded in profit and loss	Recognized as intangible assets	
Software	—	15,837,283	(6,285,195)	(9,552,088)	—
Patented technology	—	3,563,410	(3,563,410)	—	—
Others	—	5,335,002	(5,335,002)	—	—
	—	24,735,695	(15,183,607)	(9,552,088)	—

For the year ended 31 December 2019, the Company's research and development expenses totaled RMB24,735,695 (For the year ended 31 December 2018: RMB42,179,890), of which RMB15,183,607 (For the year ended 31 December 2018: RMB14,968,090) was recorded in profit and loss for the current year and RMB9,552,088 (For the year ended 31 December 2018: RMB27,211,800) was recognized as intangible assets for the current year. As at 31 December 2019, the intangible assets developed by the Company accounted for 1.77% (31 December 2018: the intangible assets developed by the Group accounted for 1.26%) of the book value of intangible assets.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

### 16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### (11) Provision for asset impairment

	31 December 2018	Increase in the current year	Decrease in the current year		31 December 2019
			Reversal	Write-off	
Provision for bad debts of notes receivable	—	965,350	—	—	<b>965,350</b>
Including: Provision for bad debts on the individual basis	—	—	—	—	—
Provision for bad debts on the grouping basis	—	965,350	—	—	<b>965,350</b>
Provision for bad debts of accounts receivable	37,351,896	14,898,390	—	—	<b>52,250,286</b>
Including: Provision for bad debts on the individual basis	1,195,671	—	—	—	<b>1,195,671</b>
Provision for bad debts on the grouping basis	36,156,225	14,898,390	—	—	<b>51,054,615</b>
Provision for bad debts of other receivables	5,478,767	—	(897,340)	—	<b>4,581,427</b>
Including: Provision for bad debts on the individual basis	—	—	—	—	—
Provision for bad debts on the grouping basis	5,478,767	—	(897,340)	—	<b>4,581,427</b>
Provision for bad debts of contract assets	5,886,353	—	(1,625,296)	—	<b>4,261,057</b>
Provision for bad debts of long-term receivables	8,191,106	—	(2,325,217)	—	<b>5,865,889</b>
	<u>56,908,122</u>	<u>15,863,740</u>	<u>(4,847,853)</u>	<u>—</u>	<b><u>67,924,009</u></b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

## 16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

## (12) Capital surplus

	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019
Share premium (Note 4(37)) –				
Capital premium contributed				
by Qingdao Port Group	7,052,279,474	—	—	7,052,279,474
Capital premium contributed				
by Other Promoters	783,586,608	—	—	783,586,608
Issue of new shares	7,012,559,612	1,640,297,360	—	8,652,856,972
Shares issue expenses	(126,431,506)	(115,743,592)	—	(242,175,098)
Business combination involving				
enterprises under common				
control	(31,531,719)	—	—	(31,531,719)
Subsidiary minority				
shareholders paid a premium	—	15,245,576	—	15,245,576
Other capital surplus –				
Share of changes in equity				
other than comprehensive				
income and profit				
distribution of investees				
under the equity method	16,303,999	8,584,824	—	24,888,823
	<u>14,706,766,468</u>	<u>1,548,384,168</u>	<u>—</u>	<u>16,255,150,636</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

### 16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### (12) Capital surplus (Continued)

	31 December 2017	Increase in the current year	Decrease in the current year	31 December 2018
Share premium (Note 4(37))				
Capital premium contributed				
by Qingdao Port Group	7,052,279,474	—	—	7,052,279,474
Capital premium contributed				
by Other Promoters	783,586,608	—	—	783,586,608
Newly issued	7,012,559,612	—	—	7,012,559,612
Shares issue expenses	(126,431,506)	—	—	(126,431,506)
Business combination involving				
enterprises under common				
control	(31,531,719)	—	—	(31,531,719)
Other capital surplus –				
Share of changes in equity				
other than comprehensive				
income and profit				
distribution of investees				
under the equity method	9,135,725	7,168,274	—	16,303,999
	<u>14,699,598,194</u>	<u>7,168,274</u>	<u>—</u>	<u>14,706,766,468</u>



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

### 16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### (13) Undistributed profits

	Year ended 31 December 2019	Year ended 31 December 2018
Undistributed profits at beginning of year	6,479,324,825	3,662,468,791
Add: Net profit for the current year	2,914,045,871	3,129,840,038
Less: Appropriation of statutory surplus reserve	(291,404,587)	(312,984,004)
Profit distribution to shareholders (Note 4(41))	<u>(2,464,670,670)</u>	—
Undistributed profits at the end of the year	<u>6,637,295,439</u>	<u>6,479,324,825</u>

#### (14) Revenue and cost of sales

	Year ended 31 December 2019	Year ended 31 December 2018
Revenue from main operations	4,666,342,846	4,667,577,507
Revenue from other operations	<u>1,112,695,019</u>	<u>1,093,175,436</u>
	<u>5,779,037,865</u>	<u>5,760,752,943</u>
	Year ended 31 December 2019	Year ended 31 December 2018
Cost of sales from main operations	(3,355,477,191)	(3,383,091,803)
Cost of sales from other operations	<u>(788,752,057)</u>	<u>(782,126,515)</u>
	<u>(4,144,229,248)</u>	<u>(4,165,218,318)</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

### 16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

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

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

	Year ended 31 December 2019		Year ended 31 December 2018	
	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	213,996,475	(51,365,270)	240,606,073	(85,444,007)
Metal ore, coal and other cargo handling and ancillary services	2,652,977,133	(2,106,332,552)	3,024,468,440	(2,442,225,386)
Liquid bulk cargo handling and ancillary services	219,611,670	(15,623,336)	216,126,582	(16,797,860)
Logistics and port value-added services	662,613,636	(369,541,970)	605,562,033	(338,903,787)
Port ancillary services – construction, labor and sales of port machinery	917,143,932	(812,614,063)	580,814,379	(499,720,763)
	<u>4,666,342,846</u>	<u>(3,355,477,191)</u>	<u>4,667,577,507</u>	<u>(3,383,091,803)</u>

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

	Year ended 31 December 2019		Year ended 31 December 2018	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Rental income	342,238,907	(160,434,760)	289,986,334	(136,293,577)
Port ancillary service – sales of fuel, electricity and others	770,456,112	(628,317,297)	803,189,102	(645,832,938)
	<u>1,112,695,019</u>	<u>(788,752,057)</u>	<u>1,093,175,436</u>	<u>(782,126,515)</u>

For the year ended 31 December 2019, among the above revenue categories, except for contract obligations of services like sales of fuel, electricity and others are satisfied at a point in time, and the remaining are satisfied over-time.

As at 31 December 2019, the Company's contracted but unfulfilled or unfulfilled performance obligations correspond to revenues of RMB379,598,729 (31 December 2018: RMB82,590,000), of which the Company expects RMB316,324,393 will recognize revenue in 2020, and RMB63,274,336 will be recognized in 2021.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

## 16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

## (15) Financial expenses – net

	Year ended 31 December 2019	Year ended 31 December 2018
Interest costs	103,125,854	118,480,906
Add: Interest expense on lease liabilities	6,456,759	—
Less: Capitalized interest	—	—
	<hr/>	<hr/>
Interest expenses	109,582,613	118,480,906
Less: Interest income	(269,494,788)	(98,940,769)
Effect of actuarial calculation of employee benefits	77,460,000	87,560,000
Exchange gains or losses	(10,728,389)	(42,818,591)
Others	678,393	382,921
	<hr/>	<hr/>
	<u>(92,502,171)</u>	<u>64,664,467</u>

## (16) 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:

	Year ended 31 December 2019	Year ended 31 December 2018
Employee benefits	1,302,109,283	1,240,553,442
Cost for outsourcing transportation	546,752,660	413,452,307
Subcontract cost	459,312,391	931,466,501
Procurement cost of fuel and utility fees	412,018,179	435,185,634
Depreciation of fixed assets	411,574,360	422,311,894
Consumption of raw materials in construction contract	454,237,334	230,357,290
Consumption of other raw materials	312,448,985	238,048,212
Cost of sales for fuel and electricity	200,175,756	192,982,208
Rental expenses (i)	94,573,141	93,480,306
Repair expenses	92,220,786	101,173,359
Amortization of intangible assets	57,177,027	56,352,747
Depreciation of investment property	46,110,131	43,010,245
Consulting fee	11,058,018	11,135,358
Depreciation of right-of-use assets	7,909,418	—
Auditor's fee	6,150,943	4,783,019
Amortization of long-term prepaid expenses	1,739,315	4,495,858
Others	73,941,507	66,876,902
	<hr/>	<hr/>
	<u>4,489,509,234</u>	<u>4,485,665,282</u>

- (i) As stated in Note 2(25), lease expense incurred by short-term lease and low-value lease is recorded in current profit or loss. For the year ended 31 December 2019, the amount is RMB94,573,141.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

### 16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

#### (17) Investment income

	Year ended 31 December 2019	Year ended 31 December 2018
Investment income from long-term equity investment under equity method	1,377,429,564	1,283,001,281
Investment income from long-term equity investments under cost method	478,941,337	787,701,031
Interest income from holding of debt investments	125,946,190	192,651,462
Investment income from financial asset held for trading	11,272,600	9,616,293
Bill discount interest expense	(3,523,164)	—
Investment loss from disposal of long-term equity investments	(9,440,928)	(249,789)
	<u>1,980,625,599</u>	<u>2,272,720,278</u>

#### (18) Income expenses

	Year ended 31 December 2019	Year ended 31 December 2018
Current income tax calculated based on tax law and related regulations	390,706,971	345,767,986
Deferred income tax	(175,443)	29,577,957
	<u>390,531,528</u>	<u>375,345,943</u>

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

	Year ended 31 December 2019	Year ended 31 December 2018
Total profit	<u>3,304,577,399</u>	<u>3,505,185,981</u>
Income tax expenses calculated at applicable tax rates	826,144,350	876,296,495
Investment income not subject to tax	(464,092,725)	(517,675,578)
Additional deduction of employee benefits of the disabled	(1,345,137)	(1,477,865)
Costs, expenses and losses not deductible for tax purposes	<u>29,825,040</u>	<u>18,202,891</u>
Income tax expenses	<u>390,531,528</u>	<u>375,345,943</u>

# SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

## 1 STATEMENT OF NON-RECURRING PROFIT OR LOSS

All amounts in RMB Yuan	Year ended 31 December 2019	Year ended 31 December 2018
Interest income from external entrusted loans of other entities other than Qingdao Finance	11,500,317	81,758,380
Government grants recognized in profit or loss for the current year	125,271,980	38,205,354
Investment income gained on disposal of wealth management products of entities other than Qingdao Finance	—	5,921,801
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	8,996,486	5,014,902
Net income from disposal of non-current assets	3,453,170	40,545,867
Gains/(losses) on disposal of long-term equity investment	(227,809)	(255,633)
Net amount of other non-operating income and expenses	10,377,559	28,438,152
Other non-operating income and expenditure net items such as profit or loss that meet the definition of non-recurring profit and loss	<u>17,283,595</u>	<u>17,219,164</u>
Subtotal	176,655,298	216,847,987
Less: Income tax effect	(44,163,824)	(54,211,997)
Less: Non-recurring gains and losses attributable to minority shareholders	<u>(9,141,781)</u>	<u>(13,860,450)</u>
Non-recurring gains and losses attributable to shareholders of the parent company	<u><u>123,349,693</u></u>	<u><u>148,775,540</u></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.

## SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019  
(All amounts in RMB Yuan unless otherwise stated)

### 2 RETURN ON EQUITY AND EPS

	Weighted average return on equity (%)		EPS			
			Basic EPS		Diluted EPS	
	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2018
Net profit attributable to ordinary shareholders of the company	12.94%	14.23%	0.59	0.60	0.59	0.60
Net profit attributable to ordinary shareholders of the company after deducting non-recurring profit or loss	12.52%	13.64%	0.57	0.57	0.57	0.57



**青島港國際股份有限公司**

**QINGDAO PORT INTERNATIONAL CO., LTD.\***