

# 2020

INTERIM REPORT



## 青島港國際股份有限公司

QINGDAO PORT INTERNATIONAL CO., LTD.\*

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

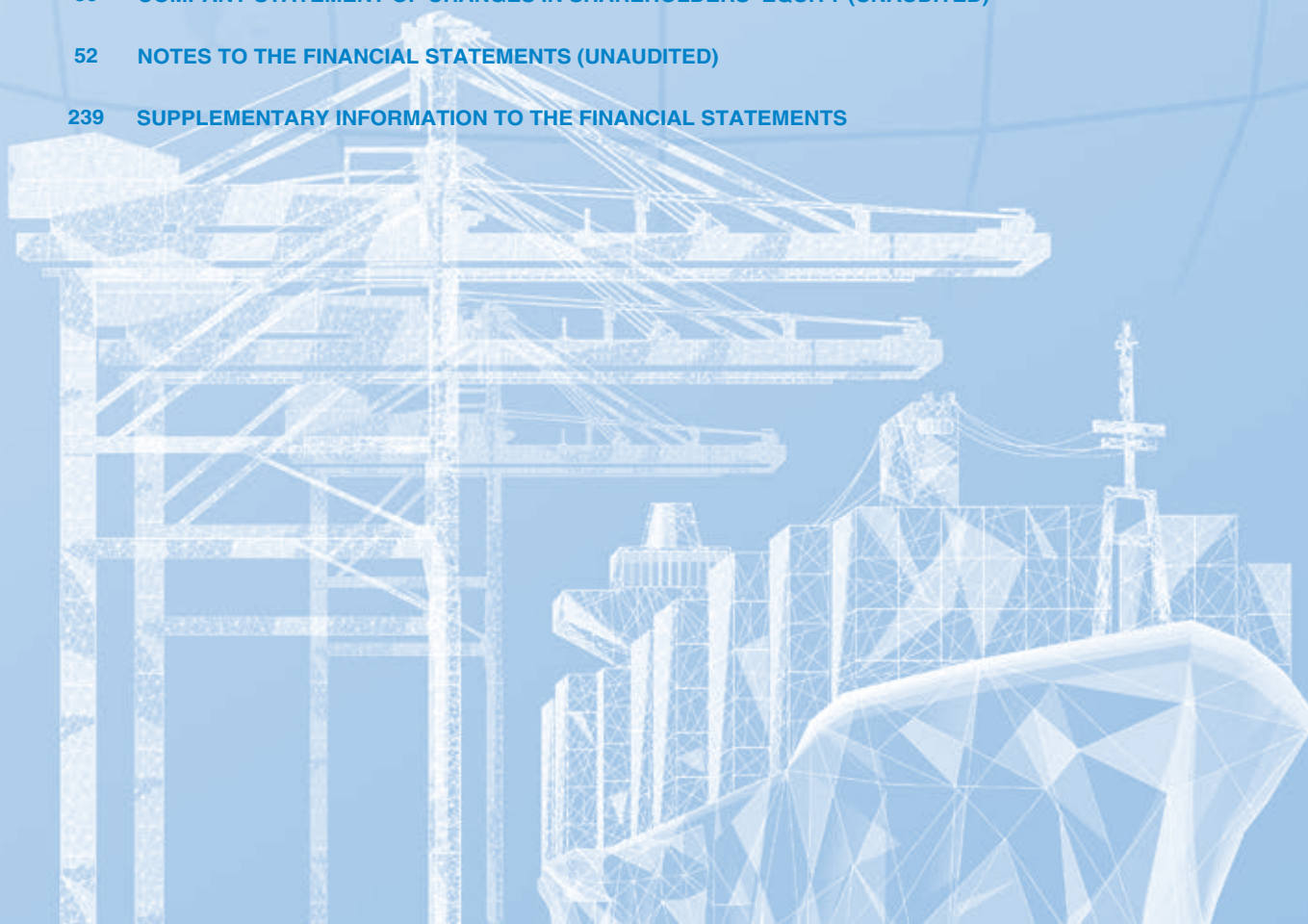
Stock Code: 06198.HK 601298.SH

\* For identification purpose only



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

“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 refers to the location designated by carriers for de-vanning of containerized cargo
“Company”	Qingdao Port International Co., Ltd. (青島港國際股份有限公司), a joint stock company established in the PRC with limited liability on 15 November 2013
“Consolidated Group Companies”	companies (including their branches) and their subsidiaries which are consolidated into in the consolidated financial statements of the Company
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules
“COSCO SHIPPING Group”	China COSCO Shipping Corporation Limited (中國遠洋海運集團有限公司), a company established in the PRC with limited liability and the ultimate controlling shareholder of COSCO SHIPPING Ports and Shanghai China Shipping Terminal, holding approximately 21% equity interests in the Company as at 30 June 2020
“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 20% equity interests in the Company as at 30 June 2020
“Director(s)”	the director(s) of the Company
“Domestic Shares”	the ordinary domestic share(s) of the Company with a nominal value of RMB1.00 each in the share capital of the Company
“Gratuitous Transfer Agreement”	the Gratuitous Transfer Agreement of the Equity Interests in Qingdao Port (Group) Co., Ltd. among Shandong Port Group Co., Ltd., the State-owned Assets Supervision & Administration Commission of Qingdao Municipal Government, and the State-owned Assets Supervision & Administration Commission of Weihai Municipal Government (《山東省港口集團有限公司與青島市人民政府國有資產監督管理委員會及威海市人民政府國有資產監督管理委員會關於青島港(集團)有限公司之股權無償劃轉協議》) dated 22 August 2019
“Group”, “we”, “our” or “us”	the Company and its branches and subsidiaries; when references are made to operational data such as throughput, including joint ventures and associates of the Company

## DEFINITIONS

“Haiwan Liquid Chemical”	Qingdao Haiwan Liquid Chemical Port Operation Co., Ltd. (青島海灣液體化工港務有限公司), a joint venture in which the Company holds 50% equity interests, which is mainly engaged in the business of providing liquid bulk handling and ancillary services
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
“New H Shares Placing”	the issue of the 243,000,000 new H shares of the Company by way of placing pursuant to the special mandate granted by the 2017 first extraordinary general meeting, the 2017 first domestic shareholders’ class meeting and the 2017 first H shareholders’ class meeting of the Company held on 10 March 2017
“PRC” or “China”	the People’s Republic of China, and for the purpose of this report, excluding Hong Kong, Macau and Taiwan
“QDOT”	Qingdao Port Dongjiakou Ore Terminal Co., Ltd. (青島港董家口礦石碼頭有限公司), a joint venture in which the Company holds 30% equity interests, which is mainly engaged in the business of providing ore, coal and other cargo handling and ancillary services
“QDP”	Qingdao Port (Group) Co., Ltd. (青島港(集團)有限公司), the controlling shareholder of the Company, holding approximately 54% equity interests in the Company as at 30 June 2020
“Qingdao Finance”	Qingdao Port Finance Co., Ltd. (青島港財務有限責任公司), a subsidiary jointly established by the Company (holding 70% equity interests) and QDP (holding 30% equity interests), which is mainly engaged in the provision of depository services, credit granting services, financial and financing advisory services, credit assurance services and relevant consulting and agency services; trade receivables collection and payment services; and internal fund transfer and settlement services formulation of proposals for the corresponding settlement and clearing services and other financial services to QDP and its member companies

“Qingdao SASAC”	the State-owned Assets Supervision & Administration Commission of Qingdao Municipal Government (青島市人民政府國有資產監督管理委員會)
“Qingdao Shihua”	Qingdao Shihua Crude Oil Terminal Co., Ltd. (青島實華原油碼頭有限公司), a joint venture in which the Company holds 50% equity interests, which is mainly engaged in the business of providing liquid bulk handling and ancillary services
“Qingwei Container”	Weihai Qingwei Container Terminal Co., Ltd. (威海青威集裝箱碼頭有限公司), a joint venture in which the Company holds 49% equity interests, which is mainly engaged in the business of providing container handling and ancillary services
“QQCT”	Qingdao Qianwan Container Terminal Co., Ltd. (青島前灣集裝箱碼頭有限責任公司), a joint venture in which the Company holds 51% equity interests (it is not consolidated into consolidated financial statements of the Company as the Company does not have control over it), which is mainly engaged in the business of providing container handling and ancillary services
“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 8 feet and a height of 8 feet and 6 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 (it is not consolidated into consolidated financial statements of the Company as the Company does not have control over it), and which is mainly engaged in the business of providing dry bulk cargo and break bulk cargo handling and ancillary services

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

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

# COMPANY PROFILE

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

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

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

As of 30 June 2020, 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 multi-purpose 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, with the single-machine average operating rate of 44.6 units per hour for fully automatic container terminal and the single-machine loading and unloading rate continuing to maintain at 3,200 tons per hour for iron ore.

## 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. JIA Funing

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

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

## DATES OF LISTING

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

## PLACES OF LISTING

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

Main Board of the Shanghai Stock Exchange (A shares)

## ABBREVIATED CHINESE STOCK NAME

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

## ABBREVIATED ENGLISH STOCK NAME

Qingdao Port (only applied to H shares)

## STOCK CODES

06198 (H shares)  
601298 (A shares)

## TELEPHONE

86-532-82982133

## FACSIMILE

86-532-82822878

## EMAIL

qggj@qdport.com

## WEBSITE

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

## BOARD OF DIRECTORS

### (1) Executive Directors

Mr. JIA Funing (*Chairman*)  
Mr. WANG Xinze (*General Manager*)

### (2) Non-executive Directors

Mr. SU Jianguang (*Vice Chairman*)  
Mr. FENG Boming  
Mr. WANG Jun  
Ms. WANG Fuling

### (3) 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  
Mr. XIA Xiliang  
Ms. WANG Xiaoyan

## JOINT COMPANY SECRETARIES

Mr. LIU Yongxia (appointed on 20 July 2020)  
Ms. LEUNG Suet Wing (appointed on 20 July 2020)  
Mr. CHEN Fuxiang (resigned on 20 July 2020)

## AUTHORISED REPRESENTATIVES

Mr. JIA Funing (appointed on 10 June 2020)  
Mr. LIU Yongxia (appointed on 20 July 2020)  
Mr. LI Fengli (resigned on 10 June 2020)  
Mr. CHEN Fuxiang (resigned on 20 July 2020)

## SPECIAL COMMITTEES OF THE BOARD

### (1) Strategy and Development Committee

Mr. JIA Funing (*Chairman*)  
Mr. WANG Xinze  
Mr. SU Jianguang  
Mr. FENG Boming  
Mr. WANG Jun  
Ms. WANG Fuling  
Mr. JIANG Min

### (2) Audit Committee

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

### (3) Nomination Committee

Mr. JIANG Min (*Chairman*)  
Mr. JIA Funing  
Mr. LAI Kwok Ho

### (4) Remuneration Committee

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

## H SHARE REGISTRAR

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

## LEGAL ADVISERS

### (1) As to Hong Kong law

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

### (2) As to PRC law

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

## PRINCIPAL BANKERS

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## I. INTERNATIONAL AND DOMESTIC SITUATION

### 1. General Situation

In the first half of 2020, the COVID-19 pandemic has made a huge impact on the global economy. The world economy is in deep recession with the international trade shrinking sharply, and the foreign trading environment was severe and complex. The Chinese government responded proactively to the changes in the external environment, and coordinated the epidemic prevention and control and the economic and social development. By virtue of a series of policies such as ensuring “six priorities” (ensuring stability in employment, financial operations, foreign trade, foreign investment, domestic investment, and expectations) and stability in six areas (ensuring security in job, basic people’s livelihood, operations of market entities, food and energy, stable industrial and supply chains, and the normal functioning of primary-level governments), the operation and production of enterprises comprehensively recovered. The economy of China displayed a trend from declining to rising with steady recovery. In the first half of 2020, the Gross Domestic Product (GDP) of China decreased by 1.6% (with a decrease of 6.8% in the first quarter and an increase of 3.2% in the second quarter) as compared with the same period in the prior year. The total imports and exports of cargo from January to June 2020 was better than expected, decreasing by 3.2% as compared with the same period in the prior year, and the declining rate was narrowed by 1.7 percentage points as compared with that of the first five months of 2020 (Source: National Bureau of Statistics of the PRC).

### 2. Operation of the Port Industry

Affected by the COVID-19 pandemic, in the first half of 2020, the cargo throughput of the coastal ports in China increased by 0.1% as compared to the same period in the prior year, among which, the container throughput decreased by 5.0% as compared to the same period in the prior year. In the first half of 2020, both the cargo throughput and container throughput of the Port of Qingdao still ranked fifth among the national coastal ports, and the foreign trade throughput continued to rank second among the coastal ports of China and first among northern ports of China (Source: Ministry of Transport of the PRC).

## II. REVIEW OF BUSINESS AND FINANCIAL RESULTS OF THE GROUP

### 1. Overall Review

Since the beginning of this year, the Group has actively responded to the severe challenges posed by the COVID-19 pandemic, coordinated the epidemic prevention and control and the production and operation of the port, and made every effort to ensure the stability of the supply chain and industrial chain. In the marine direction, the Group teamed up with the shipping companies to vigorously stabilize the shipping schedule, open new shipping routes, and expand transit business. In the land direction, the Group strengthened the layout of inland ports and sea-rail intermodal transport, deepened the supply-side structural reform of port services, took full advantage of hardware facilities and value-added service resources, continuously optimized port functions, and promoted both quantity and profitability of the port stevedoring businesses, as a result of which the Group’s comprehensive competitiveness and influence in the industry were enhanced continuously and the Group’s operating results kept a steady growth.

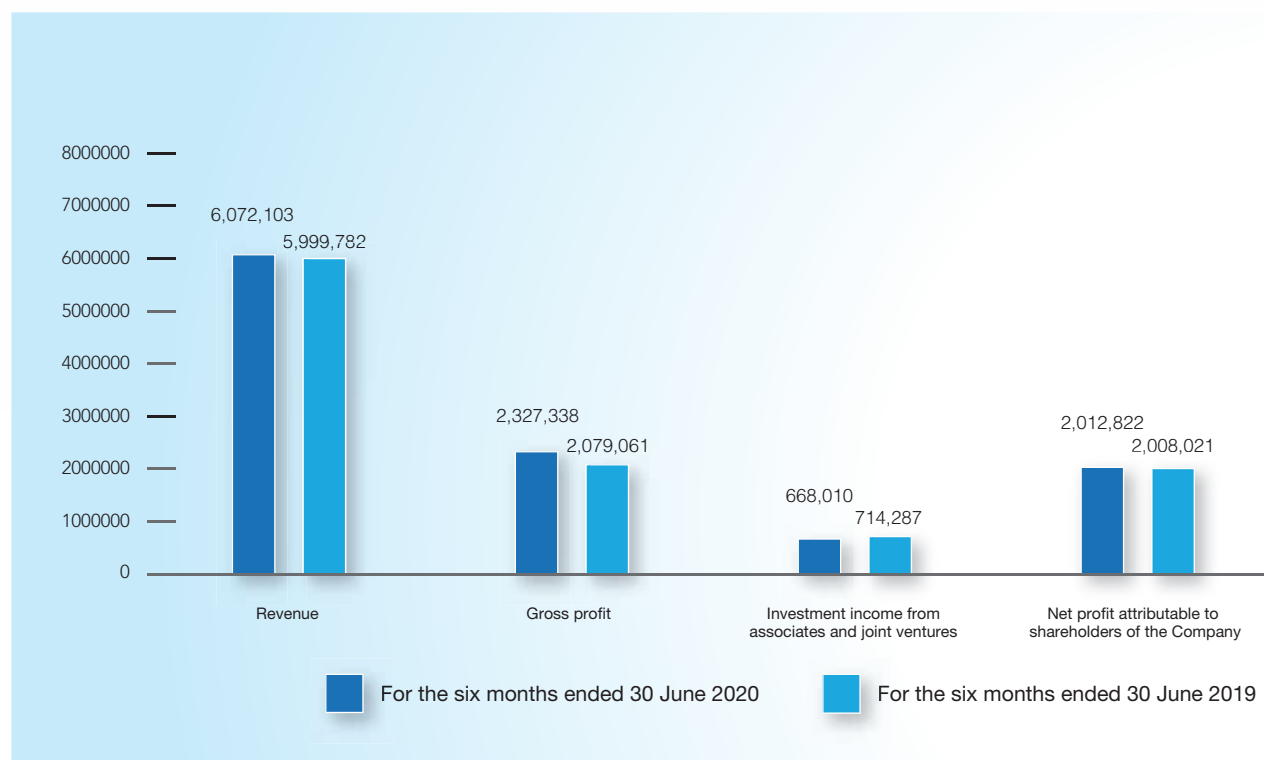
For the six months ended 30 June 2020, the cargo throughput of the Group together with its joint ventures and associates (without taking into account the respective shareholding percentages the Company holds in those joint ventures and associates) reached 263.03 million tons, representing an increase of 4.3% as compared to the same period in the prior year, among which, the container throughput amounted to 10.34 million TEUs, representing an increase of 0.4% as compared to the same period in the prior year.

# MANAGEMENT DISCUSSION AND ANALYSIS

The details were as follows:

## Comparison of Major Operating Indicators

Unit: RMB' 000



For the six months ended 30 June 2020, the Group recorded a revenue of RMB6,072 million, representing an increase of RMB72 million, or 1.2%, as compared to the same period in the prior year, mainly due to the increase in the revenue from the liquid bulk handling and ancillary services segment and metal ore, coal and other cargo handling and ancillary services.

For the six months ended 30 June 2020, the Group recorded a gross profit of RMB2,327 million, representing an increase of RMB248 million, or 11.9%, as compared to the same period in the prior year, mainly due to the increase in the gross profit from the liquid bulk handling and ancillary services segment.

For the six months ended 30 June 2020, the Group's investment income from joint ventures and associates amounted to RMB668 million, representing a decrease of RMB46 million, or 6.4%, as compared to the same period in the prior year, mainly due to the decrease in the investment income from the liquid bulk handling and ancillary services segment and metal ore, coal and other cargo handling and ancillary services segment.

For the six months ended 30 June 2020, the general and administrative expenses of the Group was RMB220 million, representing a decrease of RMB42 million, or 16.0%, as compared to the same period in the prior year, mainly due to the reduction of employee benefits caused by the preferential policy of social insurance fee reduction and exemption during the COVID-19 pandemic, and A-share listing related expenses occurred in the same period in the prior year.

# MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2020, the Group recorded a net profit attributable to shareholders of the Company of RMB2,013 million, representing an increase of RMB5 million, or 0.2%, as compared to the same period in the prior year.

## 2. Segment Review

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

### Proportion of Each Business Segment Results

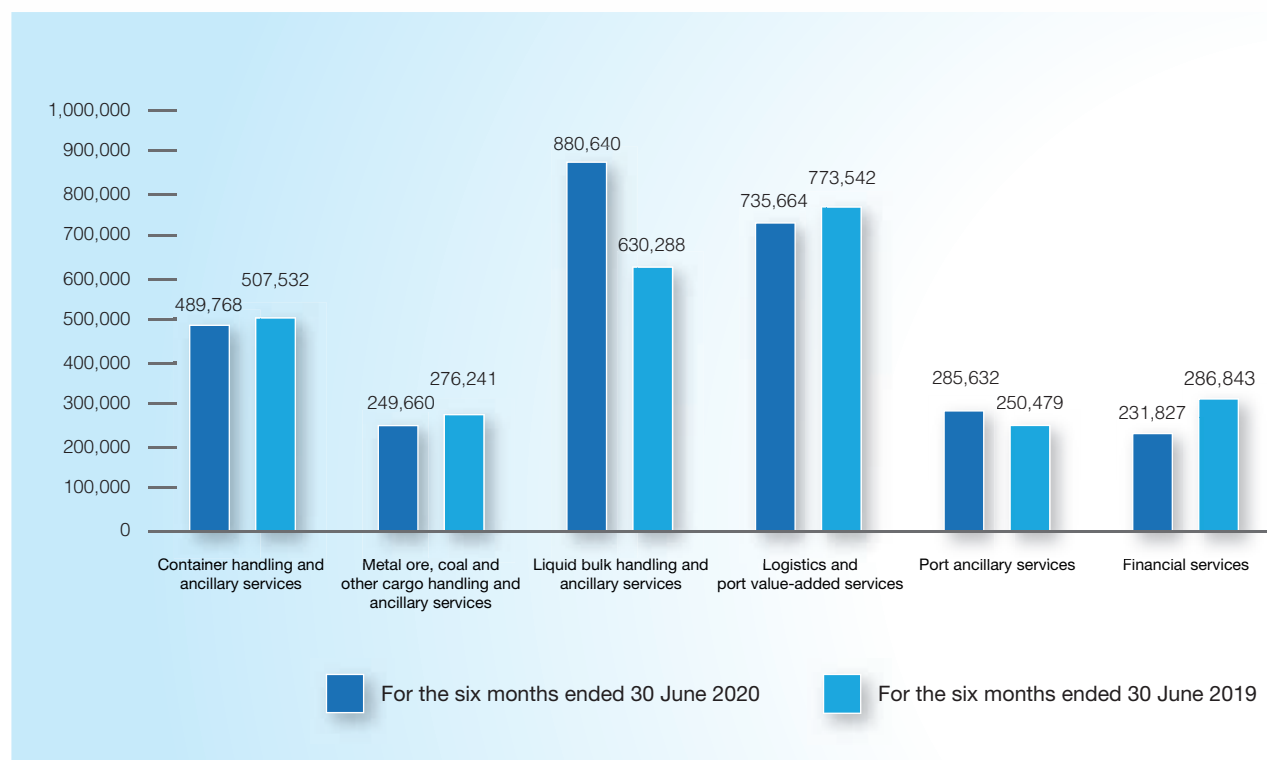
Unit: RMB' 000

Business Segments	For the six months ended 30 June				Change
	2020		2019		
	Amount	Proportion	Amount	Proportion	
Container handling and ancillary services	489,768	17.0%	507,532	18.6%	-3.5%
Metal ore, coal and other cargo handling and ancillary services	249,660	8.7%	276,241	10.2%	-9.6%
Liquid bulk handling and ancillary services	880,640	30.7%	630,288	23.1%	39.7%
Logistics and port value-added services	735,664	25.6%	773,542	28.4%	-4.9%
Port ancillary services	285,632	9.9%	250,479	9.2%	14.0%
Financial services	231,827	8.1%	286,843	10.5%	-19.2%
Total results before inter-segment elimination	<u>2,873,191</u>	<u>100.0%</u>	<u>2,724,925</u>	<u>100.0%</u>	5.4%

# MANAGEMENT DISCUSSION AND ANALYSIS

## Comparison of Each Business Segment Results

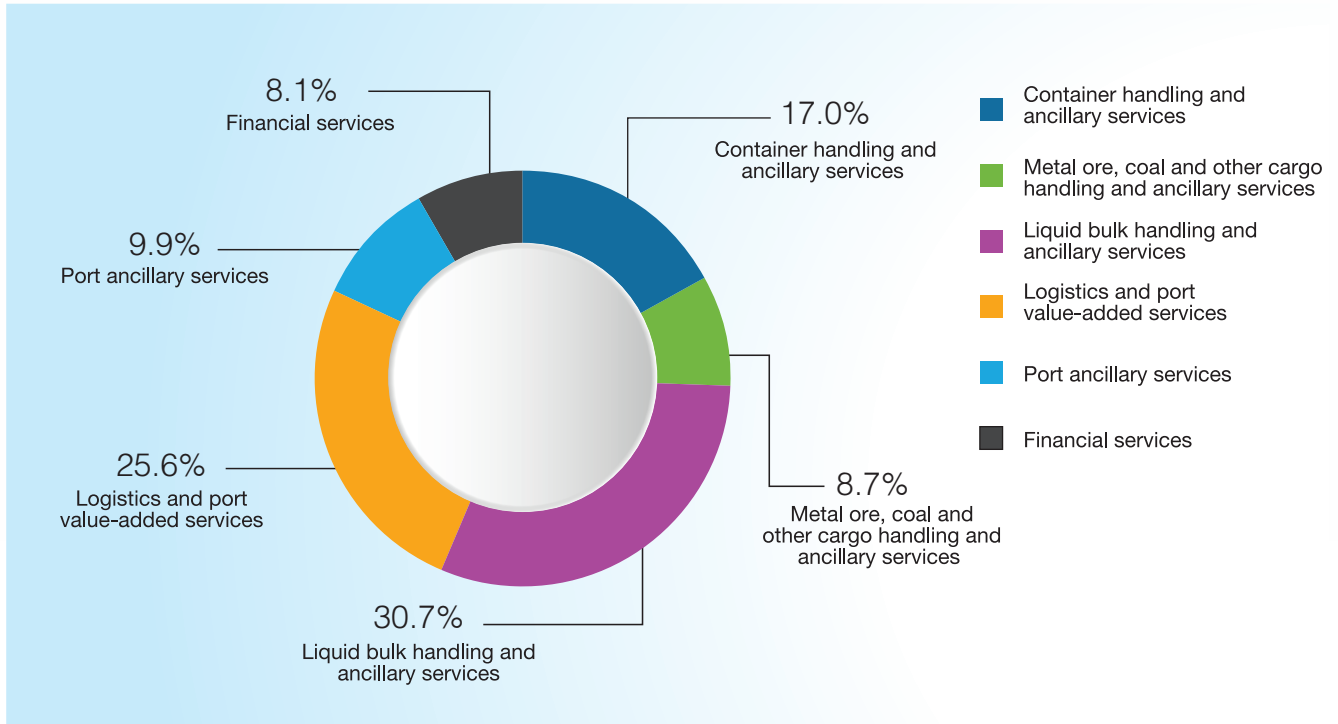
Unit: RMB' 000





# MANAGEMENT DISCUSSION AND ANALYSIS

Breakdown of results of each business segment for the six months ended 30 June 2020



# MANAGEMENT DISCUSSION AND ANALYSIS

The business segment results are as follows:

## (1) Container handling and ancillary services

Unit: RMB' 000

Item	For the six months ended 30 June		Amount Changed	Percentage Changed
	2020	2019		
<b>Consolidated Group Companies</b>				
Revenue	92,564	106,668	-14,104	-13.2%
Cost of sales	34,879	36,610	-1,731	-4.7%
Gross profit	57,685	70,058	-12,373	-17.7%
<b>Profit of Consolidated Group Companies</b>				
	37,727	50,594	-12,867	-25.4%
<b>Joint Ventures</b>				
Revenue	1,990,328	2,011,604	-21,276	-1.1%
Cost of sales	727,400	750,151	-22,751	-3.0%
<b>Share of profit of joint ventures</b>	<b>452,041</b>	<b>456,938</b>	<b>-4,897</b>	<b>-1.1%</b>
<b>Segment result</b>	<b>489,768</b>	<b>507,532</b>	<b>-17,764</b>	<b>-3.5%</b>

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

For the six months ended 30 June 2020, the Group actively innovated in its marketing model and expanded the international transshipment channel to accelerate the construction of the "International Hub Port in Northeast Asia". The main breakthroughs achieved were as follows:

- (1) The Group actively responded to the strike of the COVID-19 pandemic on the global logistics chain and brought into full play its full industry chain service advantages consisting of terminals and logistics, as a result of which the container throughput grew against the trend, fully ensuring the regional industry chain and supply chain stable and smooth; and
- (2) The Group further implemented the headquarters marketing strategy for shipping companies, established the new ecosystem for cooperation with global large shipping companies, and attracted shipping companies to increase shipping routes. 15 new container routes were added and the transit shipment volume increased by over 10% as compared to the same period in the prior year. The Group continued to expand the development pattern of combination of the main and branch line networks and accelerate the transformation and upgrading from a portal port to a hub port.

# MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2020, the revenue of container handling and ancillary services was RMB93 million, representing a decrease of RMB14 million, or 13.2%, as compared to the same period in the prior year; the segment result was RMB490 million, representing a decrease of RMB18 million, or 3.5%, as compared to the same period in the prior year, which was mainly due to the decrease of RMB13 million in the profit of Consolidated Group Companies as compared to the same period in the prior year. The main reason for the decrease in the profit of Consolidated Group Companies was the reduction of the charging standards for harbor dues on cargo and port facility security fees in accordance with the national policies in response to the impact of the COVID-19 pandemic.

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

Unit: RMB' 000

Item	For the six months ended 30 June		Amount Changed	Percentage Changed
	2020	2019		
<b>Consolidated Group Companies</b>				
Revenue	<b>1,493,553</b>	1,364,330	129,223	9.5%
Cost of sales	<b>1,163,028</b>	984,171	178,857	18.2%
Gross profit	<b>330,525</b>	380,159	-49,634	-13.1%
<b>Profit of Consolidated Group Companies</b>				
	<b>241,566</b>	242,938	-1,372	-0.6%
<b>Joint Ventures</b>				
Revenue	<b>837,072</b>	846,758	-9,686	-1.1%
Cost of sales	<b>718,328</b>	616,772	101,556	16.5%
<b>Share of profit of joint ventures</b>	<b>8,094</b>	33,303	-25,209	-75.7%
<b>Segment result</b>	<b>249,660</b>	276,241	-26,581	-9.6%

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

For the six months ended 30 June 2020, the Group innovated the marketing, deepened strategic cooperation with its key customers, extended its whole-process logistics and value-added services, and proactively expanded new hinterland markets. The main breakthroughs achieved were as follows:

- (1) The Group continued to expand the ore blending business, with the cargo resource arrival volumes of ore blending from Vale increased by 13% as compared to the same period in the prior year;

# MANAGEMENT DISCUSSION AND ANALYSIS

- (2) The Group deepened strategic cooperation with Vale and world-renowned steel mills in Japan and South Korea to optimize the supply chain logistics system of the international bulk resources commodities, and built up the international ore transit network and distribution center in Northeast Asia, with the international transfer volume of iron ore in the first half of the year increased by 330% as compared to the same period in the prior year; and
- (3) In June 2020, the Dongjiakou Port Area of the Group officially passed the inspection, obtained nation-level acceptance and was officially open to the foreign shipping companies, which further released the port capacity and provided strong guarantee for market expanding.

For the six months ended 30 June 2020, the revenue of metal ore, coal and other cargo handling and ancillary services was RMB1,494 million, representing an increase of RMB129 million, or 9.5%, as compared to the same period in the prior year, which was mainly due to revenue increase resulting from the whole process logistics transportation business; the segment result was RMB250 million, representing a decrease of RMB27 million, or 9.6%, as compared to the same period in the prior year, which was mainly due to a decrease of RMB25 million in the share of profit of joint ventures as compared to the same period in the prior year. The main reason for the decrease in the share of profit of joint ventures was the cost increase in railway transport volume and corresponding operating costs due to the joint ventures responding to the impact of the change of transportation method “from highway to railway”, and the reduction or waiving of the yard storage fees for customers during the COVID-19 pandemic.

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

Unit: RMB' 000

Item	For the six months ended 30 June		Amount Changed	Percentage Changed
	2020	2019		
<b>Consolidated Group Companies</b>				
Revenue	1,037,666	690,917	346,749	50.2%
Cost of sales	234,046	181,942	52,104	28.6%
Gross profit	803,620	508,975	294,645	57.9%
<b>Profit of Consolidated Group</b>				
<b>Companies</b>	710,494	423,043	287,451	67.9%
<b>Joint Ventures</b>				
Revenue	798,129	862,885	-64,756	-7.5%
Cost of sales	319,729	300,356	19,373	6.5%
<b>Share of profit of joint ventures</b>	170,146	207,245	-37,099	-17.9%
<b>Segment result</b>	880,640	630,288	250,352	39.7%

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



## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2020, the Group strengthened policy study, persisted in business innovation, and seized opportunity for the continuous growth of crude oil imports benefiting from the low oil price, released the capacities of resources involving terminals, tank areas and oil pipelines. The main breakthroughs achieved were as follows:

- (1) The Group enhanced the organization of production and improved the efficiency of the “Four Distribution Ways” including railway, pipeline, highway and waterway, with a high quality and efficiency in large-sized vessels stevedoring, and the distribution volume increased by 11% as compared to the same period in the prior year; and
- (2) The Group took full advantage of the policies of the Shandong Free Trade Zone, innovated business models to meet customer requirements, completed the first bonded crude oil blending business in the port of Qingdao in China, completed a pilot program for oil supply at outer anchorage, and opened up the channel of tax rebate of domestic low-sulfur fuel export and the supply of bonded fuel for vessels, with the stevedoring volume of fuel for vessels in the first half of the year increased by 33.9% as compared to the same period in the prior year.

For the six months ended 30 June 2020, the revenue of liquid bulk handling and ancillary services was RMB1,038 million, representing an increase of RMB347 million, or 50.2%, as compared to the same period in the prior year, which was mainly due to sharply increased revenue of pipeline transportation and storage driven by the Group taking advantage of the completion and utilization of the Dongjiakou Port – Weifang – Central and Northern Shandong oil pipeline, its branch lines, and the auxiliary tanks. The share of profit of joint ventures amounted to RMB170 million, representing a decrease of RMB37 million, or 17.9%, as compared to the same period in the prior year, which was mainly due to the reduction of the charging standards for harbor dues on cargo and port facility security fees in accordance with national policies in response to the impact of the COVID-19 pandemic, and the proportion of high-rate business decreased as compared to the same period in the prior year. The segment result was RMB881 million, representing an increase of RMB250 million, or 39.7%, as compared to the same period in the prior year, which mainly benefiting from the increase in the volume of the pipeline transportation and ancillary tank storage for the crude oil.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

Unit: RMB' 000

Item	For the six months ended 30 June		Amount Changed	Percentage Changed
	2020	2019		
<b>Consolidated Group Companies</b>				
Revenue	2,184,895	2,441,081	-256,186	-10.5%
Cost of sales	1,439,044	1,673,820	-234,776	-14.0%
Gross profit	745,851	767,261	-21,410	-2.8%
<b>Profit of Consolidated Group Companies</b>				
	699,983	741,954	-41,971	-5.7%
<b>Joint ventures and associates</b>				
Revenue	364,646	361,306	3,340	0.9%
Cost of sales	274,665	266,629	8,036	3.0%
<b>Share of profit of joint ventures and associates</b>				
	35,681	31,588	4,093	13.0%
<b>Segment result</b>				
	735,664	773,542	-37,878	-4.9%

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

For the six months ended 30 June 2020, the Group vigorously developed the modern logistics business, continued to improve the port functions, firmly promoted the deep integration of “terminal + logistics”, accelerated the construction of a value-added service system incorporating terminal stevedoring, transportation, CFS, agency, bonded warehouse, storage, inspection, and other services, and expanded the modern logistics industry clusters. The main breakthroughs achieved were as follows:

- (1) The Group continued to strengthen the layout of inland ports and sea-rail intermodal transport and pushed forward the implementation of the promotion results in Xi'an, Lanzhou, Urumqi and other regions. In the first half of this year, two inland ports and five sea-rail intermodal lines were newly opened; and
- (2) The Group expanded and strengthened its bonded warehousing business, with a maximum inventory exceeding 450,000 tons since 2020, becoming the largest warehousing center at the port of Qingdao.

# MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2020, the revenue of logistics and port value-added services business amounted to RMB2,185 million, representing a decrease of RMB256 million, or 10.5%, as compared to the same period in the prior year, which was mainly due to the substantial decrease in revenue from highway transportation of liquid bulk cargo resulting from the opening of the Dongjiakou Port – Weifang – Central and Northern Shandong oil pipeline and its branch lines; the segment result was RMB736 million, representing a decrease of RMB38 million, or 4.9%, as compared to the same period in the prior year, mainly due to the decrease in profit from agency, CFS, warehousing and other businesses affected by the COVID-19 pandemic.

## (5) Port ancillary services

Unit: RMB' 000

Item	For the six months ended 30 June		Amount Changed	Percentage Changed
	2020	2019		
<b>Consolidated Group Companies</b>				
Revenue	1,259,522	1,392,818	-133,296	-9.6%
Cost of sales	873,420	1,043,666	-170,246	-16.3%
Gross profit	386,102	349,152	36,950	10.6%
<b>Profit of Consolidated Group Companies</b>				
	285,317	249,946	35,371	14.2%
<b>A joint venture</b>				
Revenue	1,763	5,263	-3,500	-66.5%
Cost of sales	1,400	3,351	-1,951	-58.2%
<b>Share of profit of a joint venture</b>	315	533	-218	-40.9%
<b>Segment result</b>	285,632	250,479	35,153	14.0%

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

For the six months ended 30 June 2020, the revenue of port ancillary services amounted to RMB1,260 million, representing a decrease of RMB133 million, or 9.6%, as compared to the same period in the prior year, which was mainly due to the combined effects that the construction revenue of the current period decreased as compared to the same period in the prior year due to the gradual completion of Phase II of automated container terminal and other projects, and the port machinery construction revenue of the current period increased as compared to the same period in the prior year profiting from the port machinery upgrading of joint ventures and the Group's active expansion of external customers. The segment results amounted to RMB286 million, representing an increase of RMB35 million, or 14.0%, as compared to the same period in the prior year, mainly due to an increase in the profit of power supply, port machinery construction, information technology, and other businesses.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (6) Financial services

Unit: RMB' 000

Item	For the six months ended 30 June		Amount Changed	Percentage Changed
	2020	2019		
<b>Consolidated Group Companies</b>				
Revenue	154,348	114,287	40,061	35.1%
Cost of sales	31,695	25,636	6,059	23.6%
Gross profit	122,653	88,651	34,002	38.4%
<b>Profit of Consolidated Group Companies</b>				
	225,536	281,813	-56,277	-20.0%
<b>An Associate</b>				
Revenue	404,878	315,878	89,000	28.2%
Cost of sales	170,743	156,119	14,624	9.4%
<b>Share of profit of an associate</b>	6,291	5,030	1,261	25.1%
<b>Segment result</b>	231,827	286,843	-55,016	-19.2%

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

The Group innovated in finance and capital service functions and continuously developed new types of businesses to meet the diversified financing needs of its member units. The Group optimized its business structure, appropriately reduced the investment proportion of medium and high-risk products, increased the investment proportion of standardized products, diversified investment risks, and deepened the integration of industry and finance to provide upstream customers with financing services so as to increase customer stickiness and boost the development of the main businesses of terminals. The Group has achieved the transformation of development mode orienting from scale to high quality.

For the six months ended 30 June 2020, the segment result from financial services amounted to RMB232 million, representing a decrease of RMB55 million, or 19.2%, as compared to the same period in the prior year, among which, the profit of Consolidated Group Companies was RMB226 million, representing a decrease of RMB56 million, or 20.0%, as compared to the same period in the prior year, which was mainly due to the increased provision for impairment resulting from the increase in the scale of loans provided by Qingdao Finance, and a decrease in average interest rate of Qingdao Finance's interbank deposits.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 3. Financial Position Analysis

Unit: RMB' 000

Item	As at	As at	Amount Changed	Percentage Changed
	30 June 2020	31 December 2019		
Cash at bank and on hand	9,835,276	6,846,400	2,988,876	43.7%
Other receivables	3,716,563	1,825,685	1,890,878	103.6%
Contract assets	73,676	194,623	-120,947	-62.1%
Current portion of non-current assets	68,940	445,754	-376,814	-84.5%
Other current assets	1,477,973	6,214,206	-4,736,233	-76.2%
Long-term receivables	2,919,249	1,528,632	1,390,617	91.0%
Other non-current assets	1,394,319	599,314	795,005	132.7%
Other payables	9,855,548	7,200,532	2,655,016	36.9%
Current portion of non-current liabilities	2,307,286	235,634	2,071,652	879.2%
Bonds payable	-	2,116,900	-2,116,900	N/A

As at 30 June 2020, the Group's cash at bank and on hand increased by RMB2,989 million, or 43.7%, as compared to the beginning of this year, mainly due to the increase of RMB1,049 million from operating activities and the increase of RMB1,450 million from fund-raising activities including absorbing deposits from related parties.

As at 30 June 2020, the Group's other receivables increased by RMB1,891 million, or 103.6%, as compared to the beginning of this year, mainly due to the increase of RMB1,160 million in the Group's loans to related parties and the Group's recognition of dividends of RMB827 million due from joint ventures.

As at 30 June 2020, the Group's contract assets decreased by RMB121 million, or 62.1%, as compared to the beginning of this year, mainly due to the conversion of contract assets into accounts receivable resulting from the completion of Phase II of the automated container terminal project.

As at 30 June 2020, the Group's current portion of non-current assets decreased by RMB377 million, or 84.5%, as compared to the beginning of this year, mainly due to the decrease of loans due within one year provided by the Group to related parties.

As at 30 June 2020, the Group's other current assets decreased by RMB4,736 million, or 76.2%, as compared to the beginning of this year, mainly due to the decrease of RMB4,934 million in interbank certificates of deposit purchased by Qingdao Finance and financial assets purchased under resale agreements by Qingdao Finance.

As at 30 June 2020, the Group's long-term receivables increased by RMB1,391 million, or 91.0%, as compared to the beginning of this year, mainly due to the combined effects of the increase of RMB865 million in financial leasing services and the increase of RMB170 million in loans provided by Qingdao Finance to related parties.

# MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2020, the Group's other non-current assets increased by RMB795 million, or 132.7%, as compared to the beginning of this year, mainly due to the increase of RMB281 million in the Group's advance payment for equity investment, and the increase of RMB478 million in advance payments for projects including crude oil commercial reserve tanks.

As at 30 June 2020, the Group's other payables increased by RMB2,655 million, or 36.9%, as compared to the beginning of this year, mainly due to the increase of RMB1,566 million in deposits absorbed by Qingdao Finance, and the increase of RMB1,305 million in unpaid dividends that has been declared by the parent company and the subsidiaries as of 30 June 2020.

As at 30 June 2020, the Group's current portion of non-current liabilities increased by RMB2,072 million and the Group's bonds payable decreased by RMB2,117 million, as compared to the beginning of this year, mainly due to that the corporate bonds issued by the Company will become mature in the first half of 2021 so as that the bonds payable of RMB2,117 million should be reclassified to the current portion of non-current liabilities.

## 4. Cash Flow Analysis

For the six months ended 30 June 2020, the Group's net cash inflow amounted to RMB2,361 million, among which:

- (1) Net cash inflow from operating activities amounted to RMB1,049 million, mainly derived from the operating profit of the Consolidated Group Companies;
- (2) Net cash outflow from investing activities amounted to RMB158 million, mainly comprising of the net cash inflow of RMB4,694 million arising from the recovery of financial investment products such as interbank certificates of deposit and bonds, the cash inflow of RMB232 million arising from receiving of interest income from loans and deposits; the net cash outflow of RMB2,193 million arising from loans to member units, the net cash outflow of RMB1,637 million arising from purchase and construction of long-term assets such as the construction in progress, the net cash outflow of RMB713 million arising from external equity investment, and the net cash outflow of RMB575 million arising from the purchase of term deposits with a fixed term of over three months and structured deposits; and
- (3) Net cash inflow from financing activities amounted to RMB1,450 million, mainly comprising of net cash inflow of RMB1,549 million arising from the deposits-absorbing business of Qingdao Finance, the cash inflow of RMB254 million from short-term borrowings of the Group; the cash outflow of RMB177 million arising from repayment of borrowings such as bank loans; and the cash outflow of RMB120 million arising from repayment of financial leasing.

In order to facilitate the understanding of shareholders of the Company and investors, after eliminating the impact of Qingdao Finance as well as the Group's purchase of financial investment products and the recovery of fixed term deposits with an initial term over three months on the cash flow, the net cash outflow of the Group amounted to RMB1,114 million.

## 5. Liquidity and Financial Resources

As at 30 June 2020, the Group's cash at bank and on hand amounted to RMB9,835 million and financial products including interbank deposits amounted to RMB2,698 million. After eliminating the impact of Qingdao Finance, the self-owned cash at bank and on hand and financial products of the Group amounted to RMB11,984 million. After eliminating the impact of Qingdao Finance, the Group's total interest-bearing borrowings amounted to RMB2,512 million, among which, borrowings at fixed interest rates amounted to RMB2,440 million and borrowings at floating interest rates amounted to RMB72 million. The Group continued to optimize its financial policies to ensure continuous operation with best capital structure to provide favorable returns for the shareholders of the Company.

As at 30 June 2020, the amount of the Group's cash at bank and on hand exceeded its interest-bearing borrowings.

## 6. Capital Structure

As at 30 June 2020, the total shareholders' equity of the Group amounted to RMB34,670 million, representing an increase of RMB1,073 million as compared to the beginning of this year, among which, the equity interest attributable to the shareholders of the Company increased by RMB726 million and the equity interest of minority shareholders increased by RMB347 million. The increase in the equity interest attributable to the shareholders of the Company was mainly due to the increase of RMB2,013 million in operating profit for the current period and the decrease of RMB1,300 million in declared dividends for 2019.

As at 30 June 2020, the Company had 6,491,100,000 issued shares, comprising of 5,392,075,000 A shares and 1,099,025,000 H shares, representing 83.07% and 16.93% of the total issued share of the Company, respectively. The A share market capitalization and H share market capitalization of the Company were RMB30,627 million and HK\$4,528 million, respectively, which were calculated based on the closing price of RMB5.68 per share on the Shanghai Stock Exchange and the closing price of HK\$4.12 per share on the Hong Kong Stock Exchange as at 30 June 2020.

## 7. Gearing Ratio

Details of the Group's gearing ratio are set out in Note 14 to the financial statements.

## 8. Interest Rate and Exchange Rate Risks

As at 30 June 2020, cash at bank and on hand, receivables, payables and external bank borrowings of the Group which were calculated at floating rates amounted to RMB7,135 million, RMB1,635 million, RMB5,730 million and RMB72 million, respectively. The Group assessed the interest rate risk and anticipated that interest rate risk would have no material impact on the Group.

The Group's main business activities are conducted in the PRC and settled mainly in RMB. As of 30 June 2020, the Group's USD deposits were approximately US\$106 million, and changes in exchange rates do not have material effect on the Group. The Group will continue to closely monitor interest rate and exchange rate risks. The Group did not enter into any hedging arrangements to hedge against exposures to interest rate and exchange rate risks for the six months ended 30 June 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 9. Financial Indicators

Indicators	For the six months ended 30 June		Change (+/-)
	2020	2019	
Return on total assets	4.3%	4.3%	basically unchanged
Weighted average return on net assets	6.5%	6.9%	-0.4 percentage point
Interest coverage ratio	30.11	24.08	+6.03 times
Current ratio	1.29	1.61	-0.32
Quick ratio	1.27	1.56	-0.29

For the six months ended 30 June 2020, the return on total assets of the Group was 4.3%, which basically remained unchanged as compared to the same period in the prior year; the weighted average return on net assets was 6.5%, representing a decrease of 0.4 percentage point as compared to the same period in the prior year, mainly because the increase in average net assets for this period was higher than the increase in profits. The interest coverage ratio of the Group was 30.11 times, representing an increase of 6.03 times as compared to the same period in the prior year, mainly due to the decrease in interest expense for repaying RMB1,384 million in bonds payable in the prior year resulting in the increase in profit before interest and tax. The current ratio of the Group was 1.29, representing a decrease of 0.32 as compared to the same period in the previous year, and the quick ratio of the Group was 1.27, representing a decrease of 0.29 as compared to the same period in the previous year, mainly because the Company's bonds payable will become mature in the first half of 2021, resulting in an increase of RMB2,117 million in the current portion of non-current liabilities.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Summarized Financial Information of Joint Ventures

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

Unit: RMB' 000

	QQCT		Qingdao Shihua	
	For the six months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
<b>Revenue</b>	<b>1,900,030</b>	1,929,353	<b>774,391</b>	838,063
<b>Cost of sales</b>	<b>(671,129)</b>	(706,161)	<b>(303,958)</b>	(286,734)
Profit before income tax	<b>1,170,033</b>	1,160,210	<b>440,160</b>	517,624
Income tax expenses	<b>(280,457)</b>	(256,688)	<b>(108,229)</b>	(115,548)
<b>Net profit or loss for the period</b>	<b>889,576</b>	903,522	<b>331,931</b>	402,076
Minority interests	<b>5,266</b>	8,670	-	-
<b>Net profit attributable to the shareholders of joint ventures</b>	<b>884,310</b>	894,852	<b>331,931</b>	402,076

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

<b>Net profit for the period</b>	<b>851,511</b>	864,883	-	-
<b>Net profit attributable to the shareholders of joint ventures</b>	<b>846,245</b>	856,213	-	-
Other distribution	<b>1,608</b>	1,559	-	-
Shareholding percentage in joint ventures held by the Group	<b>51%</b>	51%	<b>50%</b>	50%
Share of profit or loss by the Group before elimination (Note)	<b>443,385</b>	448,647	<b>165,965</b>	201,038
Unrealised profit or loss	<b>686</b>	(20,537)	<b>2,458</b>	1,778
<b>Share of profit by the Group accounted for using the equity method</b>	<b>444,071</b>	428,110	<b>168,423</b>	202,816

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

# MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Unit: RMB' 000

<b>Balance sheet</b>	<b>Nature</b>	<b>As at 30 June 2020</b>	<b>As at 31 December 2019</b>
Other receivables	Provide short-term loans	<b>1,697,769</b>	571,738
Current portion of non-current assets	Provide long-term loans due within one year	<b>66,882</b>	227,597
Long-term receivables	Provide long-term loans	<b>2,919,249</b>	1,528,632
Other payables	Absorb deposit	<b>(6,305,247)</b>	(4,764,271)

Unit: RMB' 000

<b>Income statement</b>	<b>Nature</b>	<b>For the six months ended 30 June</b>	
		<b>2020</b>	<b>2019</b>
Finance expenses – interest income	Interest income from providing loans	<b>150,378</b>	110,227
Finance expenses – interest expenses	Interest expense from absorbing deposit	<b>(31,346)</b>	(25,125)

### III. SIGNIFICANT INVESTMENT

For the six months ended 30 June 2020, the significant investment of the Group was RMB1,260 million, mainly used for the Dongjiakou Port – Weifang – Central and Northern Shandong oil pipeline and the auxiliary tanks construction project, Dongjiakou crude oil terminal Phase II project, Dongjiakou crude oil commercial reserve tanks project, and Dongjiakou Port Area bulk cargo berths and storage yards projects and other projects.

## IV. SIGNIFICANT ENTRUSTED WEALTH MANAGEMENT

As at 30 June 2020, the Group did not have any significant entrusted wealth management.

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

On 10 June 2020, the Company and Qingdao Port (Group) Engineering Co., Ltd. (青島港(集團)港務工程有限公司), a wholly-owned subsidiary of the Company, entered into equity transfer agreements with Shandong Port Financial Holdings Limited (山東港口金融控股有限公司), a wholly-owned subsidiary of QDP, the controlling shareholder of the Company, transferring 90% and 10% of the equity interests of Qingdao Yongli Company Agency Co., Ltd. (青島永利保險代理有限公司) to Shandong Port Financial Holdings Limited, respectively, for consideration of RMB54,475,830 and RMB6,052,870, respectively. As of 30 June 2020, the Company and Qingdao Port (Group) Engineering Co., Ltd. did not actually received any payment for the considerations of equity transfer. For details, please refer to the announcement of the Company dated 10 June 2020.

As of the date of this report, the Company and Qingdao Port (Group) Engineering Co., Ltd. have received the total equity transfer payment of RMB60,528,700.

## VI. MORTGAGE AND PLEDGE OF ASSETS

As at 30 June 2020, none of the Group's assets was mortgaged or pledged.

## VII. CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any significant contingent liabilities.

## VIII. EMPLOYEES

As at 30 June 2020, the Company had 4,733 employees while the principal subsidiaries of the Company had 3,790 employees. The Group implements a “two match” principle (i) to match the revenue growth with the Company's operation and development, and (ii) to match the growth of labor's remuneration with the increase of labor productivity. The Group links the salaries of employees with the performance results of the Group, and the employees' salaries or its measuring units are adjusted annually in accordance with the employees' working performance, human resources market condition and the economic environment. We basically implement a basic salary plus a performance-based salary system for our senior management. In addition, to actively establish a learning enterprise and cultivate employees with active learning, the Group offers internal trainings on safety and security, business operations and technical skills to the employees to improve their skills related to their positions.

# MANAGEMENT DISCUSSION AND ANALYSIS

## IX. DESCRIPTION OF OTHER OPERATING 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. In March 2020, Qingdao international home port for cruise liners started construction and the construction was gradually carried on as planned. As of 30 June 2020, the construction of international home port for cruise liners had no effect on the main business of Dagang Port Area.

The government of Qingdao Economic and Technological Development Zone is in the process of adopting a new urban planning scheme that may relocate the port operations in Huangdao Oil Port Area and operations of certain clients around Huangdao Oil Port Area to Dongjiakou Port Area. As at 30 June 2020, the Group did not receive any relocation plan or relevant notice, and did not obtain any information in relation to such relocation of clients and businesses to Dongjiakou Port Area, hence the operation of Huangdao Oil Port Area was not affected.

## X. SUBSEQUENT EVENTS

There is no material subsequent event undertaken by the Group after 30 June 2020.

## XI. OUTLOOK FOR THE SECOND HALF OF 2020

In the second half of 2020, the world economic situation is still complex and severe, with a high instability and uncertainty. However, China has stuck to making progress in stability and coordinated epidemic prevention and economic and social development, adhered to supply-side structural reform, deepened the reform and open, push forward high-quality economic development, and strived to achieve the annual economic and social development goals. At the same time, with integrated policies of the Shandong Free Trade Zone and Shanghai Cooperation Organization (SCO) Local Economic and Trade Cooperation Demonstration Zone, the Group faced both opportunities and challenges for business development. The Group will aim at accelerating the construction of world-class marine port, seize opportunity, continue to deepen the reformation, accelerate the process of transformation and upgrading, prioritize performance, expand the development space, improve the management efficiency comprehensively, and create greater value for shareholders and the society.

Firstly, the Group will continue to improve its operating performance. Actively responding to the impact of COVID-19, 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 portal port to a hub port. The Group will seize opportunities of policy overlay of the Shandong Free Trade Zone and Shanghai Cooperation Organization Local Economic and Trade Cooperation Demonstration Zone, and expand new businesses such as the transit consolidation, bonded refueling, oil blending, cold chain logistics, cross-border e-commerce, and roll-on-roll-off business. The Group will promote new model such as 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 Group 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 the crude oil terminal, the liquid chemical terminal, and the crude oil storage tanks in Dongjiakou Port Area, and 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 Dongjiakou Port Area. The Group will actively expand international development space and promote smooth operation of international projects such as the Vado Ligure Terminal 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 optimize the internal control operation system, improve the level of essential safety management, and improve the ability to resist risks. The Group will improve the modern governance system, further strengthen institutional construction, and enhance the standardization and refinement of management. The Group will innovate human-oriented management, expand career development channels for employees, optimize salary system, and build a professional, compound, scientific and reasonable management team and staff team. The Group will implement measures to reduce expenditure and consumption, promote all-dimensional and whole-process cost reduction and efficiency enhancement. The Group will inherit and innovate corporate culture, carry forward the “spirit of Zhenchao in new era”, concentrate on promoting “Liangang Innovation Team”, make the typical roles function as the guidance, and build the “Four Strong” (strong politics, strong team, strong work style and strong performance) staff team at the basic level.



# OTHER INFORMATION

## I. CORPORATE GOVERNANCE PRACTICES

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

The Company has complied with all code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Hong Kong Listing Rules for the six months ended 30 June 2020.

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

The Company has adopted the Model Code of Appendix 10 to the Hong Kong Listing Rules as its own code of conduct for securities transactions by Directors and Supervisors. Specific enquiry has been made to all the Directors and Supervisors and each of the Directors and Supervisors has confirmed that he/she has complied with the Model Code throughout the six months ended 30 June 2020.

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

Save as otherwise disclosed in this report, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any Directors or Supervisors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors and Supervisors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate for the period ended 30 June 2020.

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

On 10 January 2020, due to work adjustment, Mr. JIAO Guangjun ceased to act as the vice chairman of the Board, the non-executive Director of the Company, a member of the Strategy and Development Committee of the Board, and a member of the Remuneration Committee of the Board and the authorised representative of the Company under Rule 3.05 of the Hong Kong Listing Rules; Mr. ZHANG Jiangnan ceased to act as the general manager (President) and was re-designated from an executive Director to a non-executive Director of the Company; Ms. JIANG Chunfeng ceased to act as the deputy general manager (Vice President), chief financial officer and re-designated from an executive Director to a non-executive Director of the Company. On the same date, Mr. WANG Xinze ceased to act as the Vice President of the Company and was appointed as the general manager of the Company with a term from 10 January 2020 to the expiration of the Board of the third session; Mr. LI Fengli was re-designated from an executive Director to a non-executive Director of the Company and was appointed as a member of the Remuneration Committee of the Board and the authorised representative of the Company under Rule 3.05 of the Hong Kong Listing Rules. For further details, please refer to the announcement of the Company dated 10 January 2020.

On 6 March 2020, due to work adjustment, Mr. ZHANG Jiangnan and Ms. JIANG Chunfeng ceased to act as the non-executive Directors of the Company and the members of the Strategy and Development Committee of the Board; Mr. LI Wucheng ceased to act as the Supervisor of the Company. For further details, please refer to the announcement of the Company dated 26 March 2020.

On 20 May 2020, due to reaching his retirement age, Mr. CHU Xiaozhong ceased to act as the employee representative Director of the Company, a member of the Strategy and Development Committee of the Board, and a member of the Audit Committee of the Board; due to the adjustment of work arrangements, Mr. ZHANG Wei ceased to act as the non-executive Director of the Company and a member of the Strategy and Development Committee of the Board. On the same date, according to democratic election of the Company, Ms. WANG Fuling was elected as the employee representative Director and was appointed as a member of the Strategy and Development Committee and a member of the Audit Committee of the Board of the third session, with a term from 20 May 2020 to the expiration of the Board of the third session. For further details, please refer to the announcement of the Company dated 20 May 2020.

On 10 June 2020, due to the adjustment of work arrangements, Mr. LI Fengli ceased to act as the non-executive Director of the Company, the chairman of the Board, the chairman of the Strategy and Development Committee of the Board, a member of the Nomination Committee of the Board, a member of the Remuneration Committee of the Board, and the authorised representative of the Company under Rule 3.05 of the Hong Kong Listing Rules. On the same date, Mr. JIA Funing was appointed as the executive Director of the Company, the chairman of the Board, the chairman of the Strategy and Development Committee of the Board, a member of the Nomination Committee of the Board and the authorised representative of the Company under Rule 3.05 of the Hong Kong Listing Rules; Mr. SU Jianguang was appointed as the non-executive Director of the Company, the vice chairman of the Board, a member of the Strategy and Development Committee of the Board and a member of the Remuneration Committee of the Board; Mr. FENG Boming was appointed as the non-executive Director of the Company and a member of the Strategy and Development Committee of the Board; Mr. WANG Xinze was appointed as the executive Director of the Company and a member of the Strategy and Development Committee of the Board; Mr. WANG Jun was appointed as the non-executive Director of the Company and a member of the Strategy and Development Committee of the Board; Mr. XIA Xiliang was appointed as the non-employee representative Supervisor of the Company. All with a term of office with effect from 10 June 2020 to the expiration of the Board and the Supervisory Committee of the third session. For further details, please refer to the announcement of the Company dated 10 June 2020.

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 in this report.

## V. REVIEW OF FINANCIAL STATEMENTS BY THE AUDIT COMMITTEE

The Audit Committee of the Board has reviewed the unaudited interim results and the interim report of the Company for the six months ended 30 June 2020.

## OTHER INFORMATION

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

No purchase, sale and redemption of any listed securities of the Company were made by the Company or any of its subsidiaries for the six months ended 30 June 2020.

### VII. CHANGES AND TERMINATION OF USE OF PROCEEDS FOR INVESTMENT PROJECTS OF A SHARE OFFERING

The Company completed its initial public offering of RMB denominated ordinary shares (A shares) of 454,376,000 shares with a nominal value RMB1.00 per share and was listed on the Shanghai Stock Exchange on 21 January 2019, with the net amount of proceeds of approximately RMB1,978.93 million.

Details of the use of proceeds were as follows:

Unit: RMB' 000

<b>Investment Projects for Use 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	1,000,000
Dongjiakou Integrated Logistics Stacking Yard Phase I Project	180,000
Intelligent Port Area Upgrading Project	200,000
Port Area Equipment Procurement Project	302,100
Supplementing working capital	296,830
<b>Total</b>	<b>1,978,930</b>

According to the needs of business development of the Group, with the resolution and approval by the Board on 26 March 2020 and by the annual general meeting of the Company held on 10 June 2020, the Company resolved 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 to remove Dongjiakou Port Area Crude Oil Commercial Reserve Tanks Project from one of the investment projects for use of proceeds, continuing to build this project by self-raised funds or by means of joint ventures.

After the aforesaid change and termination of investment projects for use of proceeds from A share offering have completed, the details of the use of proceeds were as follows:

Unit: RMB' 000

<b>Investment Projects for Use of Proceeds</b>	<b>Net Amount of Proceeds</b>
The Project of Qingdao Port Investment multi-purpose berths and North Jetty II rear ancillary stacking yards in Dongjiakou Port Area	1,000,000
Intelligent Port Area Upgrading Project	200,000
Port Area Equipment Procurement Project	482,100
Supplementing working capital	296,830
	<hr/>
<b>Total</b>	<b>1,978,930</b>
	<hr/> <hr/>

For further details, please refer to the Company's announcements dated 26 March 2020 and 10 June 2020, and the circular dated 26 May 2020.

## VIII. USE OF PROCEEDS

The net proceeds from the New H Shares Placing of the Company in 2017 were approximately HK\$1,035 million, equivalent to approximately RMB912 million, which would be used according to the Company's announcement dated 20 January 2017. As at 31 December 2019, the remaining proceeds of approximately HK\$1,034 million were carried forward to this year, which is proposed to be used towards the Company's reserve funds for the acquisition and investment of overseas terminals and the working capital for the operation and management of overseas terminal projects by the terminal project management company jointly established by the Company and COSCO SHIPPING Ports. For the six months ended 30 June 2020, approximately HK\$460.45 million of the proceeds 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 to pay for the purchase of shares of COSCO SHIPPING Ports (Abu Dhabi) Limited. The Company will use the remaining raised funds according to the project investment progress and business development. As at the date of this report, there is no detailed schedule for the utilization of the remaining proceeds.

The net proceeds from the Company's issuance of Domestic Shares to Shanghai China Shipping Terminal Development Co., Ltd. were approximately RMB2,600 million. As at 31 December 2019, the remaining proceeds of approximately RMB171 million were carried forward to this year, which is proposed to be used towards the construction of the port facilities in the Dongjiakou Port Area, the optimization of the modern logistics business structure of the Company, the domestic terminals investment and acquisition and the consolidation of the relevant terminal assets in the Port of Qingdao, and the information facility construction of the Company in accordance with the ways as disclosed in the announcement of the Company dated 20 January 2017. For the six months ended 30 June 2020, approximately RMB12 million of the proceeds 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 information facility construction of the Company. The Company will utilize the remaining proceeds in accordance with the progress of the investment projects and the business development. As at the date of this report, there is no detailed schedule for the utilization of the remaining proceeds.

## OTHER INFORMATION

The net proceeds from the initial public offering of A shares of the Company were approximately RMB1,979 million. As at 31 December 2019, the remaining proceeds of approximately RMB1,220 million were carried forward to this year. Taking into account the actual business development and operational needs of the Group, the Company has changed the investment projects for the remaining net proceeds, which have been 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. For details, please refer to the Company's announcements dated 26 March 2020 and 10 June 2020 and circular dated 26 May 2020. For the six months ended 30 June 2020, approximately RMB11 million of the proceeds had been utilized towards the investment projects in the way as disclosed in the Company's initial public offering of A shares prospectus and the Company's announcements dated 26 March 2020, 10 June 2020 and circular dated 26 May 2020, which was mainly used for the construction of the Project of Qingdao Port Investment multi-purpose berths and North Jetty II rear ancillary stacking yards in Dongjiakou Port Area and Intelligent Port Area Upgrading Project. The Company will utilize the remaining proceeds in accordance with the progress of the investment projects and the business development. As at the date of this report, there is no detailed schedule for the utilization of the remaining proceeds.

### IX. DIVIDENDS

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2020.

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

So far as the directors are aware, as at 30 June 2020, none of the Directors, Supervisors or chief executive of the Company has any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), (i) which will be required, pursuant to Section 352 of the SFO, to be recorded in the register kept by the Company, or (ii) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

As at 30 June 2020, so far as the directors are aware, the following persons (other than the Directors, Supervisors and chief executive of the Company) will be taken or deemed to have interests and/or short positions in the shares or underlying shares of the Company which would be required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Name	Class of Shares	Capacity/Nature of interest	Number of shares held <sup>(1)</sup>	Approximate percentage of shareholding in the registered capital of the Company	Approximate percentage of shareholding in the total number of issued A shares of the Company	Approximate percentage of shareholding in the total number of issued H shares of the Company
QDP	A share	Beneficial owner <sup>(2)</sup>	3,522,179,000 (L)	54.26%	65.32%	-
Shandong Port Group Co., Ltd	A share	Interest in a controlled corporation <sup>(2)</sup>	3,522,179,000 (L)	54.26%	65.32%	-
COSCO SHIPPING Ports Development Co., Ltd.	H share	Beneficial owner <sup>(5)</sup>	173,313,000 (L)	2.67%	-	15.77%
Shanghai China Shipping Terminal Development Co., Ltd	A share	Beneficial owner <sup>(3)</sup>	1,015,520,000 (L)	15.64%	18.83%	-
COSCO SHIPPING Ports Limited	A share	Interest in a controlled corporation <sup>(3)</sup>	1,111,520,000 (L)	17.12%	20.61%	-
	H share	Interest in a controlled corporation <sup>(5)</sup>	173,313,000 (L)	2.67%	-	15.77%
China COSCO (Hong Kong) Limited	A share	Interest in a controlled corporation <sup>(3)</sup>	1,111,520,000 (L)	17.12%	20.61%	-
	H share	Interest in a controlled corporation <sup>(5)</sup>	173,313,000 (L)	2.67%	-	15.77%
COSCO SHIPPING Holdings Co., Ltd.	A share	Interest in a controlled corporation <sup>(3)</sup>	1,111,520,000 (L)	17.12%	20.61%	-
	H share	Interest in a controlled corporation <sup>(5)</sup>	173,313,000 (L)	2.67%	-	15.77%
China Ocean Shipping Co., Ltd.	A share	Interest in a controlled corporation <sup>(4)</sup>	1,207,520,000 (L)	18.60%	22.39%	-
	H share	Interest in a controlled corporation <sup>(5)</sup>	173,313,000 (L)	2.67%	-	15.77%
China COSCO Shipping Corporation Limited	A share	Interest in a controlled corporation <sup>(4)</sup>	1,207,520,000 (L)	18.60%	22.39%	-
	H share	Interest in a controlled corporation <sup>(5)</sup>	173,313,000 (L)	2.67%	-	15.77%
China Life Insurance (Group) Company	H share	Beneficial owner	180,000,000 (L)	2.77%	-	16.38%
Value Partners Group Limited	H share	Interest in a controlled corporation <sup>(6)</sup>	87,598,000 (L)	1.35%	-	7.97%
Value Partners High-Dividend Stocks Fund	H share	Beneficial owner	76,208,000 (L)	1.17%	-	6.93%
FMR LLC	H share	Interest in a controlled corporation	77,015,887 (L)	1.19%	-	7.01%



## OTHER INFORMATION

Notes:

- (1) The letter “L” denotes long position in such securities.
- (2) QDP is wholly owned by the State-owned Assets Supervision and Administration Commission of Qingdao Municipal Government. The Company was informed that as at 30 June 2020, QDP held 13,739,000 H shares of the Company via its wholly-owned subsidiary Qingdao Port Financial Holdings Limited, representing approximately 1.25% of the total number of issued H shares of the Company. According to the SFO, the shareholders of the Company only need to submit the disclosure of interests form when certain conditions are reached. As at the date of holding the H shares of the Company by Qingdao Port Financial Holdings Limited, the wholly-owned subsidiary of QDP, and as at the date of this report, the Company had sufficient public float and the issued shares of the Company held by the public is no less than 16.62%, and is therefore in compliance with the Hong Kong Listing Rules.

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 this report, the transfer of the above equity interests 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.

- (3) 96,000,000 A shares and 1,015,520,000 A shares of the Company are directly held by China Shipping Terminal Development Co., Ltd. and Shanghai China Shipping Terminal Development Co., Ltd., respectively. Shanghai China Shipping Terminal Development Co., Ltd. is wholly owned by China Shipping Terminal Development Co., Ltd.. China Shipping Terminal Development Co., Ltd. is wholly owned by COSCO SHIPPING Ports Development Co., Ltd., which is wholly owned by COSCO SHIPPING Ports Limited. COSCO SHIPPING Ports Limited is 49.33% 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 1,111,520,000 A shares of the Company.
- (4) In addition to the 96,000,000 A shares and 1,015,520,000 A shares of the Company directly held by China Shipping Terminal Development Co., Ltd. and Shanghai China Shipping Terminal Development Co., Ltd. respectively, there are 96,000,000 A shares of the Company directly held by COSCO Shipping (Qingdao) Co., Ltd., which is wholly-owned by China COSCO Shipping Corporation Limited. As such, China COSCO Shipping Corporation Limited is deemed to be interested in 1,207,520,000 A shares of the Company.
- (5) 173,313,000 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 49.33% owned by China COSCO (Hong Kong) Limited, which is wholly owned by COSCO SHIPPING Holdings Co., Ltd.. COSCO SHIPPING Holding 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 173,313,000 H shares of the Company.
- (6) Such shares of the Company are directly held by Value Partners Limited, which is wholly owned by Value Partners Hong Kong Limited; and Value Partners Hong Kong Limited is wholly owned by Value Partners Group Limited.

Save as disclosed above, as at 30 June 2020, none of the persons had interest or short positions in the shares and underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which will be required, pursuant to Section 336 of the SFO, to be recorded in the register kept by the Company.

# CONSOLIDATED BALANCE SHEET

As at 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note 4	30 June 2020 (Unaudited)	31 December 2019
<b>Current assets</b>			
Cash at bank and on hand	(1)	9,835,275,776	6,846,399,847
Financial asset held for trading	(2)	1,010,148,643	952,673,153
Notes receivable		61,644,571	89,208,129
Accounts receivable	(3)	2,849,676,376	2,337,733,076
Financing receivables	(4)	470,946,523	705,149,454
Advances to suppliers		75,961,145	65,477,940
Other receivables	(5)	3,716,562,764	1,825,685,161
Inventories		121,779,487	208,760,886
Contract assets		73,675,594	194,622,693
Current portion of non-current assets	(7)	68,940,113	445,754,126
Other current assets	(6)	1,477,972,907	6,214,206,368
<b>Total current assets</b>		<b>19,762,583,899</b>	<b>19,885,670,833</b>
<b>Non-current assets</b>			
Long-term receivables	(7)	2,919,248,984	1,528,631,526
Long-term equity investments	(8)	9,342,640,573	9,139,130,196
Other non-current financial assets	(9)	570,827,707	538,096,854
Investment properties	(10)	174,727,046	177,094,885
Fixed assets	(11)	14,608,527,017	14,341,335,334
Construction in progress	(12)	3,129,869,810	2,510,614,143
Right-of-use assets	(13)	435,051,375	541,354,681
Intangible assets	(14)	2,659,232,185	2,568,407,616
Goodwill		20,686,493	20,686,493
Long-term prepaid expenses		25,805,987	28,601,553
Deferred tax assets	(15)	907,554,413	906,362,986
Other non-current assets	(17)	1,394,319,218	599,314,295
<b>Total non-current assets</b>		<b>36,188,490,808</b>	<b>32,899,630,562</b>
<b>TOTAL ASSETS</b>		<b>55,951,074,707</b>	<b>52,785,301,395</b>

# CONSOLIDATED BALANCE SHEET

As at 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	Note 4	<b>30 June 2020 (Unaudited)</b>	31 December 2019
<b>Current liabilities</b>			
Short-term borrowings	(18)	247,995,780	128,596,572
Notes payable	(19)	821,815,865	1,164,769,783
Accounts payable	(20)	1,364,385,500	1,411,666,083
Advances from customers		62,834,461	22,251,659
Contract liabilities	(21)	132,675,092	245,532,722
Employee benefits payable	(22)	262,088,173	308,496,016
Taxes payable	(23)	303,403,803	248,863,830
Other payables	(24)	9,855,547,909	7,200,531,814
	(25), (26),		
Current portion of non-current liabilities	(27)	<u>2,307,286,405</u>	<u>235,633,528</u>
<b>Total current liabilities</b>		<u>15,358,032,988</u>	<u>10,966,342,007</u>
<b>Non-current liabilities</b>			
Long-term borrowings	(25)	118,882,988	132,882,988
Bonds payable	(26)	-	2,116,900,000
Lease liabilities	(27)	270,686,680	378,301,316
Long-term payables		93,133,776	43,095,019
Provisions		6,486,130	7,053,463
Deferred income	(28)	210,067,328	213,850,289
Long-term employee benefits payable	(29)	2,416,870,000	2,419,020,000
Deferred tax liabilities	(15)	22,074,760	22,295,437
Other non-current liabilities	(30)	<u>2,784,887,421</u>	<u>2,888,198,834</u>
<b>Total non-current liabilities</b>		<u>5,923,089,083</u>	<u>8,221,597,346</u>
<b>Total liabilities</b>		<u>21,281,122,071</u>	<u>19,187,939,353</u>

# CONSOLIDATED BALANCE SHEET

As at 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	Note 4	<b>30 June 2020 (Unaudited)</b>	31 December 2019
<b>Shareholders' equity</b>			
Share capital	(31)	6,491,100,000	6,491,100,000
Capital surplus	(32)	12,339,391,255	12,326,352,961
Other comprehensive income	(33)	174,183,342	182,668,672
Specific reserve		11,912,110	3,914,265
Surplus reserve	(34)	1,278,378,901	1,278,378,901
General reserve	(35)	380,586,794	380,586,794
Undistributed profits	(36)	10,407,034,391	9,694,379,282
<b>Total equity attributable to shareholders of the Company</b>		<b>31,082,586,793</b>	30,357,380,875
<b>Minority interests</b>		<b>3,587,365,843</b>	3,239,981,167
<b>Total Shareholders' equity</b>		<b>34,669,952,636</b>	33,597,362,042
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>55,951,074,707</b>	52,785,301,395

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

# COMPANY BALANCE SHEET

As at 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

<b>ASSETS</b>	Note 15	<b>30 June 2020 (Unaudited)</b>	31 December 2019
<b>Current assets</b>			
Cash at bank and on hand	(1)	8,977,666,406	8,265,088,114
Notes receivable		975,536	18,667,204
Accounts receivable	(2)	1,265,444,002	996,445,768
Financing receivables	(3)	249,510,935	451,458,292
Advances to suppliers		14,234,136	25,263,063
Other receivables	(4)	1,315,931,664	581,863,915
Inventories		52,391,038	80,568,215
Contract assets		92,485,404	93,879,526
Current portion of non-current assets	(5)	322,609,463	624,635,554
Other current assets		65,297,523	36,686,394
<b>Total current assets</b>		<b>12,356,546,107</b>	<b>11,174,556,045</b>
<b>Non-current assets</b>			
Long term receivables	(5)	1,908,000,000	1,858,000,000
Long-term equity investments	(6)	14,267,393,169	13,991,521,234
Other non-current financial assets		71,421,487	71,421,487
Investment properties	(7)	1,463,070,866	1,489,093,569
Fixed assets	(8)	7,787,730,029	7,826,781,172
Construction in progress	(9)	1,675,870,683	1,333,853,492
Right-of-use assets		125,002,353	126,126,432
Intangible assets	(10)	2,050,993,511	2,073,151,241
Long-term prepaid expenses		5,989,744	3,916,088
Deferred tax assets		33,934,805	37,658,479
Other non-current assets		717,528,720	261,044,621
<b>Total non-current assets</b>		<b>30,106,935,367</b>	<b>29,072,567,815</b>
<b>TOTAL ASSETS</b>		<b>42,463,481,474</b>	<b>40,247,123,860</b>

# COMPANY BALANCE SHEET

As at 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>30 June 2020 (Unaudited)</b>	31 December 2019
<b>Current liabilities</b>		
Short-term borrowings	404,153,458	358,239,543
Notes payable	255,108,780	245,580,933
Accounts payable	602,272,359	467,119,764
Advances from customers	56,839,790	15,467,645
Contract liabilities	106,476,852	135,665,425
Employee benefits payable	204,094,351	240,552,578
Taxes payable	86,509,383	56,343,229
Other payables	1,934,008,850	433,282,327
Current portion of non-current liabilities	<u>2,161,917,991</u>	<u>83,169,099</u>
<b>Total current liabilities</b>	<u>5,811,381,814</u>	<u>2,035,420,543</u>
<b>Non-current liabilities</b>		
Bonds payable	–	2,116,900,000
Lease liabilities	60,221,906	80,955,456
Long-term payables	42,764,856	43,095,019
Provisions	6,486,130	7,053,463
Deferred income	137,262,810	140,389,104
Long-term employee benefits payable	2,078,760,000	2,081,760,000
Other non-current liabilities	<u>2,784,834,141</u>	<u>2,888,115,299</u>
<b>Total non-current liabilities</b>	<u>5,110,329,843</u>	<u>7,358,268,341</u>
<b>Total liabilities</b>	<u>10,921,711,657</u>	<u>9,393,688,884</u>
<b>Shareholders' equity</b>		
Share capital	6,491,100,000	6,491,100,000
Capital surplus	16,268,188,930	16,255,150,636
Other comprehensive income	191,510,000	191,510,000
Surplus reserve	1,278,378,901	1,278,378,901
Undistributed profits	<u>7,312,591,986</u>	<u>6,637,295,439</u>
<b>Total shareholders' equity</b>	<u>31,541,769,817</u>	<u>30,853,434,976</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>42,463,481,474</u>	<u>40,247,123,860</u>

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:



# CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 4	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
<b>1. Revenue</b>	(37)	<b>6,072,103,452</b>	5,999,781,980
Less: Cost of sales	(37), (41)	<b>(3,744,765,192)</b>	(3,920,720,639)
Taxes and surcharges	(38)	<b>(51,263,872)</b>	(52,318,155)
Selling and distribution expenses	(41)	<b>(14,665,388)</b>	(9,615,312)
General and administrative expenses	(39), (41)	<b>(220,125,601)</b>	(261,801,061)
Research and development expenses	(14), (41)	<b>(6,606,855)</b>	(12,997,414)
Financial expenses	(40)	<b>105,288,105</b>	106,079,532
Including: Interest expenses		<b>98,805,635</b>	116,003,926
Interest income		<b>226,364,485</b>	260,939,156
Add: Other income	(42)	<b>32,901,118</b>	77,625,287
Investment income	(43)	<b>768,169,574</b>	774,803,928
Including: Investment income from associates and joint ventures		<b>668,009,957</b>	714,286,642
Gains on changes in fair value		<b>2,720,249</b>	2,663,358
Credit impairment losses	(44)	<b>(73,905,224)</b>	(21,219,798)
Gains on disposal of assets		<b>17,371,326</b>	(1,213,416)
<b>2. Operating profit</b>		<b>2,887,221,692</b>	2,681,068,290
Add: Non-operating income		<b>5,968,028</b>	10,739,883
Less: Non-operating expenses		<b>(5,535,707)</b>	(2,487,948)
<b>3. Total profit</b>		<b>2,887,654,013</b>	2,689,320,225
Less: Income tax expenses	(45)	<b>(568,944,486)</b>	(511,333,963)
<b>4. Net profit</b>		<b>2,318,709,527</b>	2,177,986,262
Classified by continuity of operations			
Net profit from continuing operations		<b>2,318,709,527</b>	2,177,986,262
Net profit from discontinued operations		-	-
Classified by ownership of the equity			
Minority interests		<b>305,887,088</b>	169,965,043
Attributable to shareholders of the Company		<b>2,012,822,439</b>	2,008,021,219

# CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 4	<b>For the six months ended 30 June 2020 (Unaudited)</b>	For the six months ended 30 June 2019 (Unaudited)
<b>5. Other comprehensive income, net of tax</b>	(33)	<b>(12,121,900)</b>	84,282,631
Attributable to shareholders of the Company, net of tax			
Other comprehensive income items which will not be subsequently reclassified to profit or loss			
Changes in remeasurement of defined benefit plan obligations		-	93,986,921
Other comprehensive income items which will be subsequently reclassified to profit or loss			
Changes in fair value of other debt investments		<b>(8,485,330)</b>	(6,851,158)
Attributable to minority shareholders, net of tax		<b>(3,636,570)</b>	(2,853,132)
<b>6. Total comprehensive income</b>		<b><u>2,306,587,627</u></b>	<b><u>2,262,268,893</u></b>
Attributable to shareholders of the Company		<b>2,004,337,109</b>	2,095,156,982
Attributable to minority interests		<b>302,250,518</b>	167,111,911
<b>7. Earnings per share</b>			
Basic earnings per share (RMB)	(46)(a)	<b>0.31</b>	0.31
Diluted earnings per share (RMB)	(46)(b)	<b>0.31</b>	0.31

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

Legal representative:

Principal in charge of accounting :

Head of accounting department:

# COMPANY INCOME STATEMENT

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 15	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
<b>1. Revenue</b>	(12)	<b>3,005,350,021</b>	2,828,636,813
Less: Cost of sales	(12), (13)	<b>(2,155,155,084)</b>	(1,901,535,915)
Taxes and surcharges		<b>(37,139,111)</b>	(41,061,549)
Selling and distribution expenses	(13)	<b>(10,259,925)</b>	(9,015,973)
General and administrative expenses	(13)	<b>(128,094,983)</b>	(148,692,301)
Research and development expenses	(13)	<b>(1,133,487)</b>	(8,084,523)
Financial expenses		<b>14,724,010</b>	59,104,907
Including: Interest expenses		<b>49,456,044</b>	61,755,458
Interest income		<b>83,027,122</b>	158,856,497
Add: Other income		<b>14,634,286</b>	5,666,208
Investment income	(14)	<b>1,486,605,805</b>	960,811,658
Including: Investment income from associates and joint ventures		<b>665,478,800</b>	719,546,750
Credit impairment losses		<b>(7,866,389)</b>	(16,888,029)
Gains on disposal of assets		<b>14,337,797</b>	(1,051,872)
<b>2. Operating profit</b>		<b>2,196,002,940</b>	1,727,889,424
Add: Non-operating income		<b>3,960,996</b>	7,404,199
Less: Non-operating expenses		<b>(2,058,696)</b>	(158,725)
<b>3. Total profit</b>		<b>2,197,905,240</b>	1,735,134,898
Less: Income tax expenses	(15)	<b>(222,441,363)</b>	(228,909,347)
<b>4. Net profit</b>		<b>1,975,463,877</b>	1,506,225,551
Classified by continuity of operations			
Net profit from continuing operations		<b>1,975,463,877</b>	1,506,225,551
Net profit from discontinued operations		-	-
<b>5. Other comprehensive income, net of tax</b>		-	81,710,000
Other comprehensive income items that will not be subsequently reclassified to profit or loss			
Changes in remeasurement of defined benefit plan obligations		-	81,710,000
<b>6. Total comprehensive income</b>		<b>1,975,463,877</b>	1,587,935,551

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

# CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 4	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
<b>1. Cash flows from operating activities</b>			
Cash received from sales of goods or rendering of services		5,777,880,636	5,396,460,399
Cash received relating to other operating activities	(47)(a)	<u>195,472,042</u>	<u>389,652,247</u>
<b>Sub-total of cash inflows</b>		<u>5,973,352,678</u>	<u>5,786,112,646</u>
Cash paid for goods and services		(3,027,292,669)	(2,747,201,583)
Cash paid to and on behalf of employees		(1,035,535,068)	(1,086,161,317)
Payments of taxes and surcharges		(735,391,595)	(603,997,147)
Cash paid relating to other operating activities	(47)(b)	<u>(126,312,288)</u>	<u>(381,695,975)</u>
<b>Sub-total of cash outflows</b>		<u>(4,924,531,620)</u>	<u>(4,819,056,022)</u>
<b>Net cash flows from operating activities</b>	(48)(a)	<u>1,048,821,058</u>	<u>967,056,624</u>
<b>2. Cash flows from investing activities</b>			
Cash received from disposal of investments		11,301,116,200	5,101,743,039
Cash received from returns on investments		315,546,444	246,611,005
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		27,339,910	1,946,709
Cash received relating to other investing activities	(47)(c)	<u>1,361,313,463</u>	<u>2,343,788,068</u>
<b>Sub-total of cash inflows</b>		<u>13,005,316,017</u>	<u>7,694,088,821</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(1,637,487,780)	(490,475,018)
Cash paid to acquire investments		(7,894,720,052)	(4,282,441,879)
Cash paid relating to other investing activities	(47)(d)	<u>(3,631,526,148)</u>	<u>(1,785,786,284)</u>
<b>Sub-total of cash outflows</b>		<u>(13,163,733,980)</u>	<u>(6,558,703,181)</u>
<b>Net cash flows from investing activities</b>		<u>(158,417,963)</u>	<u>1,135,385,640</u>

# CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 4	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
<b>3. Cash flows from financing activities</b>			
Cash received from capital contributions		77,450,000	1,984,929,768
Including: Cash received from capital contributions by minority shareholders of subsidiaries		77,450,000	6,000,000
Cash received from borrowings		254,204,011	609,281,406
Cash received relating to other financing activities	(47)(e)	<u>1,549,216,247</u>	<u>645,362,843</u>
<b>Sub-total of cash inflows</b>		<u>1,880,870,258</u>	<u>3,239,574,017</u>
Cash repayments of borrowings		(177,426,785)	(1,741,581,767)
Cash payments for distribution of dividends, profits or interest expenses		(114,369,549)	(237,438,107)
Including: Cash payments for distribution of profit to minority shareholders of subsidiaries		(30,660,895)	(49,470,140)
Cash paid relating to other financing activities	(47)(f)	<u>(139,367,304)</u>	<u>(69,295,803)</u>
<b>Sub-total of cash outflows</b>		<u>(431,163,638)</u>	<u>(2,048,315,677)</u>
<b>Net cash flows from financing activities</b>		<u>1,449,706,620</u>	<u>1,191,258,340</u>
<b>4. Effect of foreign exchange rate changes on cash</b>		<u>21,222,031</u>	<u>2,304,699</u>
<b>5. Net increase in cash</b>	(48)(b)	<u>2,361,331,746</u>	3,296,005,303
Add: Cash at the beginning of the period		<u>3,998,246,081</u>	<u>4,014,278,650</u>
<b>6. Cash at the end of the period</b>	(48)(c)	<u>6,359,577,827</u>	<u>7,310,283,953</u>

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

# COMPANY CASH FLOW STATEMENT

For the six months ended 30 June 2020  
(All amounts in RMB Yuan unless otherwise stated)

Item	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
<b>1. Cash flows from operating activities</b>		
Cash received from sales of goods or rendering of services	2,398,437,331	1,976,453,982
Cash received relating to other operating activities	190,745,161	291,172,837
<b>Sub-total of cash inflows</b>	<u>2,589,182,492</u>	<u>2,267,626,819</u>
Cash paid for goods and services	(1,005,688,780)	(853,562,591)
Cash paid to and on behalf of employees	(652,507,049)	(685,607,425)
Payments of taxes and surcharges	(293,338,158)	(276,954,641)
Cash paid relating to other operating activities	(81,005,918)	(37,111,272)
<b>Sub-total of cash outflows</b>	<u>(2,032,539,905)</u>	<u>(1,853,235,929)</u>
<b>Net cash flows from operating activities</b>	<u>556,642,587</u>	<u>414,390,890</u>
<b>2. Cash flows from investing activities</b>		
Cash received from disposal of investments	4,778,531,500	839,516
Cash received from returns on investments	896,686,543	302,928,211
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	19,729,268	196,599
Net cash received from disposal of subsidiaries and other business units	-	5,990,993
Cash received relating to other investing activities	963,501,443	503,377,700
<b>Sub-total of cash inflows</b>	<u>6,658,448,754</u>	<u>813,333,019</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(343,853,975)	(188,033,548)
Cash paid to acquire investments	(6,079,759,395)	(1,324,664,839)
Cash paid relating to other investing activities	(703,000,000)	(175,000,000)
<b>Sub-total of cash outflows</b>	<u>(7,126,613,370)</u>	<u>(1,687,698,387)</u>
<b>Net cash flows from investing activities</b>	<u>(468,164,616)</u>	<u>(874,365,368)</u>



# COMPANY CASH FLOW STATEMENT

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

Item	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
<b>3. Cash flows from financing activities</b>		
Cash received from capital contributions	–	1,978,929,768
Cash received from borrowings	<u>252,000,000</u>	<u>186,000,000</u>
<b>Sub-total of cash inflows</b>	<u>252,000,000</u>	<u>2,164,929,768</u>
Cash repayments of borrowings	<u>(205,800,000)</u>	<u>(1,452,100,000)</u>
Cash payments for distribution of dividends, profits or interest expenses	<u>(85,707,706)</u>	<u>(151,089,039)</u>
Cash paid relating to other financing activities	<u>(23,231,550)</u>	<u>(22,514,007)</u>
<b>Sub-total of cash outflows</b>	<u>(314,739,256)</u>	<u>(1,625,703,046)</u>
<b>Net cash flows from financing activities</b>	<u>(62,739,256)</u>	<u>539,226,722</u>
<b>4. Effect of foreign exchange rate changes on cash</b>	<u>18,241,739</u>	<u>(260,109)</u>
<b>5. Net increase in cash</b>	<u>43,980,454</u>	<u>78,992,135</u>
Add: Cash at the beginning of the period	<u>6,829,500,453</u>	<u>6,819,212,991</u>
<b>6. Cash at the end of the period</b>	<u>6,873,480,907</u>	<u>6,898,205,126</u>

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended 30 June 2020  
(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		
Balance at 31 December 2018		6,036,724,000	10,777,968,793	133,694,188	3,399,949	986,974,314	298,283,806	8,742,614,209	2,439,864,984	29,419,524,243
Movements for the six months ended 30 June 2019 (Unaudited)										
Total comprehensive income										
Net profit		-	-	-	-	-	-	2,008,021,219	169,965,043	2,177,986,262
Other comprehensive income	(33)	-	-	87,135,763	-	-	-	-	(2,853,132)	84,282,631
Total comprehensive income for the period		-	-	87,135,763	-	-	-	2,008,021,219	167,111,911	2,262,268,893
Capital contribution and withdrawal by shareholders										
Ordinary shares held by shareholders	(31), (32)	454,376,000	1,524,553,768	-	-	-	-	-	-	1,978,929,768
Capital contribution by minority shareholders in subsidiaries		-	-	-	-	-	-	-	6,000,000	6,000,000
Profit distribution										
Profit distribution to shareholders	(36)	-	-	-	-	-	-	(2,464,670,670)	(49,470,140)	(2,514,140,810)
Specific reserve										
Appropriation to safety fund		-	-	-	26,787,817	-	-	-	4,243,938	31,031,755
Utilization of safety fund		-	-	-	(22,738,389)	-	-	-	(3,997,860)	(26,736,249)
Recognition of other changes in equity of associates and joint ventures	(32)	-	12,143,196	-	-	-	-	-	-	12,143,196
Balance at 30 June 2019 (Unaudited)		6,491,100,000	12,314,665,757	220,829,951	7,449,377	986,974,314	298,283,806	8,285,964,758	2,563,752,833	31,169,020,796

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended 30 June 2020

(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		
Balance at 31 December 2019		6,491,100,000	12,326,352,961	182,668,672	3,914,265	1,278,378,901	380,586,794	9,694,379,282	3,239,981,167	33,597,362,042
Movements for the six months ended 30 June 2020 (Unaudited)										
Total comprehensive income										
Net profit		-	-	-	-	-	-	2,012,822,439	305,887,088	2,318,709,527
Other comprehensive income	(33)	-	-	(8,485,330)	-	-	-	-	(3,636,570)	(12,121,900)
Total comprehensive income for the period		-	-	(8,485,330)	-	-	-	2,012,822,439	302,250,518	2,306,587,627
Capital contribution and withdrawal by shareholders										
Capital contribution by minority shareholders in subsidiaries		-	-	-	-	-	-	-	77,450,000	77,450,000
Profit distribution										
Profit distribution to shareholders	(36)	-	-	-	-	-	-	(1,300,167,330)	(35,086,249)	(1,335,253,579)
Specific reserve										
Appropriation to safety fund		-	-	-	27,429,785	-	-	-	5,111,444	32,541,229
Utilization of safety fund		-	-	-	(19,431,940)	-	-	-	(2,341,037)	(21,772,977)
Recognition of other changes in equity of associates and joint ventures	(32)	-	13,038,294	-	-	-	-	-	-	13,038,294
Balance at 30 June 2020 (Unaudited)		6,491,100,000	12,339,391,255	174,183,342	11,912,110	1,278,378,901	380,586,794	10,407,034,391	3,587,365,843	34,669,952,636

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

# COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended 30 June 2020  
(All amounts in RMB Yuan unless otherwise stated)

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

# COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

Item	Share capital	Capital surplus	Other comprehensive income	Specific reserve	Surplus reserve	Undistributed profits	Total equity
Balance at 31 December 2019	<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>
Movements for the six months ended 30 June 2020 (Unaudited)							
Total comprehensive income							
Net profit	-	-	-	-	-	1,975,463,877	1,975,463,877
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	1,975,463,877	1,975,463,877
Profit distribution							
Profit distribution to shareholders	-	-	-	-	-	(1,300,167,330)	(1,300,167,330)
Specific reserve							
Appropriation to safety fund	-	-	-	14,687,201	-	-	14,687,201
Utilization of safety fund	-	-	-	(14,687,201)	-	-	(14,687,201)
Recognition of other changes in equity of associates and joint ventures	-	13,038,294	-	-	-	-	13,038,294
Balance at 30 June 2020 (Unaudited)	<u>6,491,100,000</u>	<u>16,268,188,930</u>	<u>191,510,000</u>	-	<u>1,278,378,901</u>	<u>7,312,591,986</u>	<u>31,541,769,817</u>

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

Legal representative:

Principal in charge of accounting:

Head of accounting department:

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 1 GENERAL INFORMATION

Qingdao Port International Co., Ltd. (“the Company”) is a joint stock limited company incorporated in Qingdao City of Shandong Province of the People’s Republic of China (“the PRC”) on 15 November 2013 (the Company’s “Date of Incorporation”) by Qingdao Port (Group) Co., Ltd. (“Qingdao Port Group”) as the Leading Promoter together with “Other Promoters” including Shenzhen Malai Storage Co., Ltd. (“Malai Storage”), Qingdao Ocean Shipping Co., Ltd. (“Qingdao Ocean”) (now renamed as COSCO Shipping (Qingdao) Co., Ltd.), China Shipping Terminal Development Co., Ltd. (“China Shipping Terminal”), 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 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 six months ended 30 June 2020 (Unaudited)

(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 HK\$4.32 per H Share (equivalent to approximately RMB3.81). The number of total share capital of the Company increased to 5,021,204,000 shares as a result of the issue of the Placing Shares.

The Company made private placement of 1,015,520,000 Domestic Shares to Shanghai China Shipping Terminal Development Co., Ltd. (“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 30 June 2020, 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 of the date of this announcement, the gratuitous transfer has not been completed yet, the controlling shareholder of the Company is still Qingdao Port Group, and Qingdao SASAC is still the actual controller of the Company.

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

The financial statements have been approved for issuance by the Company’s Board of Directors on 27 August 2020.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Accounting policies and accounting estimates are determined based on the features of the Group's production and operation, which mainly include judgement criteria for the impairment of financial assets (Note 2(9)), 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 six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

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

The financial statements of the Company for the six months ended 30 June 2020 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the Consolidated and the Company's financial position as at 30 June 2020 and their financial performance, cash flows and other information for the six months ended 30 June 2020.

### (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 six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (6) Preparation of consolidated financial statements

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

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

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

All significant intra-group balances, transactions and unrealized profits are eliminated from the consolidated financial statements. The portion of subsidiaries' owners' equity and the portion of subsidiaries' net profits and losses and comprehensive incomes for the period not attributable to the Company are 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 six months ended 30 June 2020 (Unaudited)

(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.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (9) Financial instruments (Continued)

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

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

###### 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.

###### 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (9) Financial instruments (Continued)

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

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

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.

##### (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.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (9) Financial instruments (Continued)

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

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

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.

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:

Financing receivables and notes receivable group:

Financing receivables group	Bank acceptance notes
Group A	Trade acceptance notes within the scope of consolidation
Group B	All other remaining trade acceptance notes from other companies other than Group A

Accounts receivable group:

Group A	Accounts receivable within the scope of consolidation
Group B	All other remaining accounts receivable from other companies other than Group A

Other receivables and long-term receivables group:

Group A	Other receivables and long-term receivables within the scope of consolidation
Group B	Loans and payments in advance
Group C	Interest receivable of bank deposits and dividends receivable
Group D	All other remaining receivables other than Group A, Group B and Group C

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (9) Financial instruments (Continued)

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

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

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.

##### (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 of loss in the current period.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (9) Financial instruments (Continued)

#### (b) Financial liabilities

Financial liabilities are classified into the following categories at initial recognition: financial liabilities measured at 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 six months ended 30 June 2020 (Unaudited)

(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.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (a) Determination of investment cost

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(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 (Continued)

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

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

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

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

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

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

The carrying amounts of long-term equity investments in subsidiaries, joint ventures and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2 (18)).



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (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:

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

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

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

An investment property is 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)).

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (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%	5.2%-19.2%
Vessels	18 years	5%	5.3%
Transportation equipment	10-12 years	4%	8.0%-9.6%
Communication facilities	5-8 years	4%	12.0%-19.2%
Office equipment and other equipment	5-12 years	4%	8.0%-19.2%

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

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (13) Fixed assets (Continued)

(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 six months ended 30 June 2020 (Unaudited)

(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.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(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)

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.

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)).

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (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 six months ended 30 June 2020 (Unaudited)

(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.



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(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)

##### *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.

##### *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.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (19) Employee benefits (Continued)

#### (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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (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 six months ended 30 June 2020 (Unaudited)

(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 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 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 six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (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 six months ended 30 June 2020 (Unaudited)

(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.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (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.

### (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 related businesses in the prior year.

Specific reserve is mainly for safety expenses on handling, transportation service and stacking service.

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (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.

##### (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.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(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)

##### (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 the six months ended 30 June 2020.

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

##### *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 six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 3 TAXATION

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

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

#### (a) Enterprise income tax

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

#### (b) VAT

The Company and certain subsidiaries engage in sales of fuel, electromechanical equipment, concrete, electricity, water, etc. and merchandise trade, and also provide services like transportation, stevedoring, port management, tugboat and ocean shipping tallying and leasing of tangible movable properties, etc. The above mentioned businesses are subject to VAT, tax rate for sales of fuel, electromechanical equipment and electricity, merchandise trade as well as leasing of tangible movable properties is 13%; 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 9%; transfer or leasing of properties obtained before 30 April 2016 are subject to VAT levied at a rate of 5% by simple approach; 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%.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 3 TAXATION (Continued)

### (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% during the six months ended 30 June 2020.

In accordance with Cai Shui [2008] No. 116 and Cai Shui [2008] No. 46, Datang Port Co., Ltd. ("Datang Port") and Qingdao Port Dongjiakou Multi-purpose Terminal Co., Ltd. ("DMT"), 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. For the six months ended 30 June 2020, Datang Port was qualified for 50% tax reduction for the second year, DMT was qualified for 50% tax reduction for the the first year.

For the six months ended 30 June 2020, 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%.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 3 TAXATION (Continued)

### (2) Tax incentives (Continued)

#### (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 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”), Qingdao Ocean Shipping Tally Co., Ltd. (“Ocean Shipping Tally”), Ocean Tally Inspection, Qingdao Port Eimskip Coldchain Logistics Co., Ltd. (“Eimskip Coldchain”), 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 six months ended 30 June 2020, 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 (ie berths, including quayside, deep-water floating quay, embankment, dam, etc.) is exempted from land use tax.

#### (d) Property tax and land use tax

For the six months ended 30 June 2020, according to Lu Cai Shui [2020] No. 16 and Lu Cai Shui [2020] No. 25, taxpayers in six industries severely affected by the epidemic including transportation, catering, accommodation, tourism, exhibitions and movie screenings, exempt from property tax and land use tax in 2020. The Company and its subsidiaries Datang Port, General Terminal, Qingdao Port Logistics, Shandong Port Lianhua Pipeline Petroleum Transportation Co., Ltd. (“Lianhua Pipeline”) and other companies, as the main business of transportation companies, are exempt from property tax and land use tax.



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
Cash on hand	<b>30,000</b>	–
Cash at bank	<b>9,060,285,207</b>	6,124,022,081
Other cash balances	<b>774,960,569</b>	722,377,766
	<b><u>9,835,275,776</u></b>	<b><u>6,846,399,847</u></b>
Including: amounts deposited abroad	<b>27,198,418</b>	195,570,450

As at 30 June 2020, other cash balances include statutory deposit reserves in the People's Bank of China by Qingdao Finance amounted to RMB722,986,697 (31 December 2019: RMB645,601,882) according to relevant regulations, deposits for the issuance of bank acceptance notes amounted to RMB27,707,941 (31 December 2019: RMB44,867,230), deposits for the issuance of letter of credit amounted to RMB21,107,036 (31 December 2019: RMB31,210,416) the foreign exchange transaction margin deposited by the Group is RMB2,450,138 (31 December 2019: Nil.), and deposits for the issuance of letter of guarantee amounted to RMB708,757 (31 December 2019: RMB698,238).

### (2) Financial assets held for trading

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
Wealth management products (i)	<b>1,010,148,643</b>	900,997,200
Financial bonds	<b>–</b>	51,675,953
	<b><u>1,010,148,643</u></b>	<b><u>952,673,153</u></b>

(i) As at 30 June 2020 and 31 December 2019, wealth management products are the Group's non-principal-guaranteed wealth management products with floating income purchased from commercial banks and other financial institutions.

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 six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (3) Accounts receivable

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
Accounts receivable	<b>3,054,893,408</b>	2,504,148,910
Less: Bad debt provision	<b>(205,217,032)</b>	(166,415,834)
	<b><u>2,849,676,376</u></b>	<u>2,337,733,076</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.

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

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
Within 1 year	<b>2,779,590,619</b>	2,302,958,916
1 to 2 years	<b>229,686,550</b>	173,084,593
2 to 3 years	<b>23,571,858</b>	16,776,392
3 to 4 years	<b>10,715,372</b>	-
4 to 5 years	<b>1,320,814</b>	1,320,814
More than 5 years	<b>10,008,195</b>	10,008,195
	<b><u>3,054,893,408</u></b>	<u>2,504,148,910</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 30 June 2020, the total amount of top five accounts receivable is analyzed as follows:**

	<b>Amount</b>	<b>Provision for bad debt</b>	<b>% of total balance</b>
Total amount of top five accounts receivable	<b><u>1,376,865,193</u></b>	<b><u>(76,634,361)</u></b>	<b><u>45.07%</u></b>

**(c) As at 30 June 2020 and 31 December 2019, the Group did not have any receivables that were derecognized due to the transfer of financial assets.**

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (3) 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 analyzed as follows:

	30 June 2020 (Unaudited)			
	Book value		Bad debt provision	
	Amount	% of the total	Amount	Lifetime ECL rate
Bad debt provision on the individual basis (i)	23,413,043	0.77%	(20,317,373)	86.78%
Bad debt provision on the grouping basis				
Accounts receivable group B (ii)	<u>3,031,480,365</u>	<u>99.23%</u>	<u>(184,899,659)</u>	<u>6.10%</u>
	<u>3,054,893,408</u>	<u>100.00%</u>	<u>(205,217,032)</u>	

	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				
Accounts receivable group B (ii)	<u>2,480,585,867</u>	<u>99.06%</u>	<u>(146,098,461)</u>	<u>5.89%</u>
	<u>2,504,148,910</u>	<u>100.00%</u>	<u>(166,415,834)</u>	

- (i) As at 30 June 2020, 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. amounting to RMB22,092,229 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 six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (3) Accounts receivable (Continued)

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

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

	30 June 2020 (Unaudited)		
	Ending balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Within 1 year	2,779,590,619	3.79%	(105,343,850)
1 to 2 years	207,594,321	27.32%	(56,714,768)
Over 2 years	44,295,425	51.57%	(22,841,041)
	<u>3,031,480,365</u>		<u>(184,899,659)</u>

	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>

- (iii) For the six months ended 30 June 2020, the provision for bad debts in the current period amounted to RMB38,801,198, and there are no reversal or written off for the current period.

- (e) As at 30 June 2020 and 31 December 2019, the Group had no pledged accounts receivable.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (4) Financing receivables

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
Bank acceptance notes	<u><b>470,946,523</b></u>	<u>705,149,454</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.
- (b) The Group believes that its bank acceptance notes do not expose to significant credit risk and will not cause significant losses by bank default.
- (c) As at 30 June 2020 and 31 December 2019, the Group had no pledged bank acceptance notes.
- (d) As at 30 June 2020, the bank acceptance notes that the Group has endorsed or discounted but have not yet expired amounted to RMB335,834,591 (31 December 2019: RMB656,590,985) and has been derecognized.

### (5) Other receivables

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
Loans provided to related parties and third parties (i)	<b>1,733,903,959</b>	573,511,898
Receivables and advances of agent business (ii)	<b>939,932,461</b>	1,113,252,681
Dividends receivable (iii)	<b>826,558,344</b>	–
Port construction fees receivable (iv)	<b>67,375,887</b>	65,504,377
Interests receivable	<b>60,567,248</b>	42,728,648
Equity transfer receivable (v)	<b>60,528,700</b>	–
Deposits and guarantees	<b>42,610,684</b>	26,290,528
Lease receivable	<b>20,512,625</b>	12,902,418
Others	<b>21,968,236</b>	22,513,993
	<u><b>3,773,958,144</b></u>	<u>1,856,704,543</u>
Less: Provision for bad debts	<u><b>(57,395,380)</b></u>	<u>(31,019,382)</u>
	<u><b>3,716,562,764</b></u>	<u>1,825,685,161</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (5) Other receivables (Continued)

- (i) 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.
  - (ii) 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.
  - (iii) Dividends receivable are dividends that have been declared but not yet distributed by Qingdao Qianwan Container Terminal Co., Ltd. ("QQCT") and Qingdao Ganghai International Logistics Co., Ltd. ("Ganghai Logistics"), joint ventures of the Company.
  - (iv) 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.
  - (v) The Company and its subsidiary Qingdao Port (Group) Port Engineering Co., Ltd. ("Qingdao Port Engineering") signed an equity transfer agreement with Shangdong Port Financial Holdings Co., Ltd. ("Shangang Financial Holdings") on 10 June 2020. According to the agreement, 90% and 10% of Qingdao Yongli Insurance Agency Co., Ltd. ("Yongli Insurance") held by them will be transferred at a price of RMB54,475,830 and RMB6,052,870 respectively. As at 30 June 2020, the equity transfer payment of RMB60,528,700 has not been paid. Please refer to Note 5(2) for relevant information on the disposal of subsidiaries.
- (a) **The ageing of other receivables based on their recording dates is analyzed as follows:**

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
Within 1 year	<b>3,763,753,478</b>	1,844,161,506
1 to 2 years	<b>3,847,293</b>	5,522,124
2 to 3 years	<b>618,637</b>	2,847,658
More than 3 years	<b>5,738,736</b>	4,173,255
	<b><u>3,773,958,144</u></b>	<u>1,856,704,543</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (5) Other receivables (Continued)

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

	Stage 1	
	ECL over the next 12 months (on the grouping basis)	
	Amount	Provision for bad debts
31 December 2019	1,856,704,543	(31,019,382)
Increase in the current period (Unaudited)	<u>1,917,253,601</u>	<u>(26,375,998)</u>
30 June 2020 (Unaudited)	<u><u>3,773,958,144</u></u>	<u><u>(57,395,380)</u></u>

As at 30 June 2020 and 31 December 2019, the Group did not have any other receivables with bad debt provision on the individual basis, and other receivables with bad debt provision on the grouping basis are in the first stage. The analysis is as follows:

	30 June 2020 (Unaudited)			31 December 2019		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
	Amount	Amount	%	Amount	Amount	%
Group B						
Within 1 year	2,506,470,564	(36,010,790)	1.44%	1,480,649,540	(11,035,951)	0.75%
Group C						
Within 1 year	887,125,592	-	-	42,728,648	-	-
Group D						
Within 1 year	370,157,322	(18,079,192)	4.88%	320,783,318	(16,039,166)	5.00%
More than 1 years	<u>10,204,666</u>	<u>(3,305,398)</u>	32.39%	<u>12,543,037</u>	<u>(3,944,265)</u>	31.45%
	<u><u>3,773,958,144</u></u>	<u><u>(57,395,380)</u></u>		<u><u>1,856,704,543</u></u>	<u><u>(31,019,382)</u></u>	

- (c) For the six months ended 30 June 2020, the provision for bad debts amounted to RMB26,375,998, and there were no written off of the Group's provision for bad debts.



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (5) Other receivables (Continued)

(d) As at 30 June 2020, top five other receivables are analyzed as follows:

	Nature	Amount	Ageing	% of total	Provision for bad debts
Qingdao Port Investment and Construction (Group) Co., Ltd. ("QDP Investment Group")	Loan	901,027,428	Within 1 year	23.87%	(21,669,937)
QQCT	Dividends and others	828,061,599	Within 1 year	21.94%	(554,194)
Weihai Port Group Co., Ltd. ("Weihai Port Group")	Loan	300,362,500	Within 1 year	7.96%	(7,223,794)
Qingdao Port Dongjiakou Ore Terminal Co., Ltd. ("QDOT")	Loan and others	232,014,217	Within 1 year	6.15%	(4,972,083)
Qingdao Qingyin Financial Leasing Co., Ltd. ("Qingyin Financial Leasing")	Loan and others	150,464,167	Within 1 year	3.99%	(683,626)
		<u>2,411,929,911</u>		<u>63.91%</u>	<u>(35,103,634)</u>

- (e) As at 30 June 2020 and 31 December 2019, the Group has no other receivables recognized in accordance with the government grants receivable.
- (f) As at 30 June 2020, the Group has no pledged other receivables (31 December 2019: other receivables of the Group with a carrying amount of RMB8,747,455 was pledged as collateral for short-term borrowings of RMB6,970,000 (Note 4(18)).

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (6) Other current assets

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
Bond reverse repurchase (i)	<b>851,163,973</b>	1,601,446,334
VAT input to be deducted	<b>287,017,440</b>	230,330,634
Certificates of interbank deposits (ii)	<b>198,308,000</b>	4,382,429,400
Income certificates	<b>140,000,000</b>	–
Prepaid corporate income tax	<b>1,483,494</b>	–
	<b><u>1,477,972,907</u></b>	<b><u>6,214,206,368</u></b>

- (i) The amounts were bonds purchased by Qingdao Finance, a subsidiary of the Company 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.
- (ii) 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 30 June 2020, the original value of the interbank deposits was RMB195,606,800 and changes in fair value recorded in other comprehensive income was RMB2,701,200.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (7) Long-term receivables

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
Loans provided to related parties (i)	<b>1,506,337,607</b>	1,336,799,281
Financing leases provided to related parties (ii)	<b>1,553,613,568</b>	688,998,556
Less: Current portion	<b>(70,469,507)</b>	(457,290,407)
	<b>2,989,481,668</b>	1,568,507,430
Loans and financing leases impairment provision	<b>(71,762,078)</b>	(51,412,185)
Less: Current portion	<b>1,529,394</b>	11,536,281
	<b>(70,232,684)</b>	(39,875,904)
	<b>2,919,248,984</b>	1,528,631,526

(i) Loans to related parties include long-term entrusted loans provided by the Company and 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

	<b>Stage 1</b>	
	<b>ECL over the next 12 months (on the grouping basis)</b>	
	<b>Amount</b>	<b>Provision for bad debt</b>
31 December 2019	2,025,797,837	(51,412,185)
Increase in the current period (Unaudited)	1,034,153,338	(20,349,893)
30 June 2020 (Unaudited)	<b>3,059,951,175</b>	<b>(71,762,078)</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (7) Long-term receivables (Continued)

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

As at 30 June 2020 and 31 December 2019, the Group did not have any long-term receivables with bad debt provision on the individual basis, and other long-term receivables with bad debt provision on the grouping basis are in the first stage. The analysis is as follows:

	30 June 2020 (Unaudited)			31 December 2019		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
	Amount	Amount	% of total balance	Amount	Amount	% of total balance
Group B	<u>3,059,951,175</u>	<u>(71,762,078)</u>	2.35%	<u>2,025,797,837</u>	<u>(51,412,185)</u>	2.54%

### (8) Long-term equity investments

	30 June 2020 (Unaudited)	31 December 2019
Joint ventures (a)	<u>8,567,660,950</u>	8,810,888,278
Associates (b)	<u>774,979,623</u>	<u>328,241,918</u>
	<u>9,342,640,573</u>	<u>9,139,130,196</u>

As at 30 June 2020 and 31 December 2019, the Group's management considered that there was no indication that the long-term equity investments may be impaired, therefore no provision for impairment was required.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (a) Joint ventures

Investments in joint ventures are set out below:

	31 December 2019	Movements for the current period (Unaudited)				30 June 2020 (Unaudited)
		Share of net profit/(loss) under equity method	Share of other changes in equity	Cash dividends/ profit declared	Intra-group unrealized profit	
QQCT (i)	5,418,699,228	443,385,305	4,862,482	(817,783,089)	686,082	5,049,850,008
Qingdao Shihua Crude Oil Terminal Co., Ltd. ("Qingdao Shihua")	1,350,506,838	165,965,474	5,402,789	-	2,457,992	1,524,333,093
Qingdao Qianwan West Port United Terminal Co., Ltd. ("West United") (ii)	396,069,666	21,790,549	557,020	-	(1,797,695)	416,619,540
Weihai Qingwei Container Terminal Co., Ltd. ("Qingwei Container")	138,817,933	10,603,079	-	-	-	149,421,012
Qingdao Evergreen Container Storage and Transportation Co., Ltd. ("Evergreen Container")	45,367,884	8,787,130	244,697	-	-	54,399,711
Qingdao Orient International Container Storage and Transportation Co., Ltd. ("Orient Container")	43,029,653	2,806,620	-	(4,647,191)	-	41,189,082
Qingdao Haiwan Liquid Chemical Port Operation Co., Ltd. ("Haiwan Liquid Chemical")	155,490,834	1,506,575	-	-	-	156,997,409
Ganghai Logistics	43,206,605	(759,873)	-	(39,078,111)	-	3,368,621
Qingdao Shenzhouxing International Transportation Co., Ltd. ("Shenzhouxing Cargo Agency")	27,315,154	4,210,686	-	-	-	31,525,840
China Shipping Agency (Qingdao) Co., Ltd. ("China Shipping Agency")	9,364,743	727,891	-	-	-	10,092,634
Qingdao United International Shipping Agency Co., Ltd. ("United Shipping Agency")	29,056,920	905,538	-	(1,597,314)	-	28,365,144
Huaneng Qingdao Port Operation Co., Ltd. ("Huaneng Qingdao")	127,951,921	(6,345,116)	71,448	-	-	121,678,253
Qingdao Port Dongjiakou IMC Logistics Co., Ltd. ("Dongjiakou IMC Logistics") (iii)	95,371,201	9,536,812	-	(39,516,729)	-	65,391,284
QDOT	706,648,965	(11,563,520)	-	-	(5,904,811)	689,180,634
Qingdao Port Express Logistics (Linyi) Co., Ltd. ("Linyi Express")	4,191,783	54,431	-	-	-	4,246,214
Sinotrans Qingdao Port Dongjiakou Logistics Co., Ltd. ("Dongjiakou Sinotrans Logistics")	51,508,035	253,107	-	-	-	51,761,142
Qingdao Port Lianrong Logistics Co., Ltd. ("Lianrong Logistics")	8,084,348	1,170,001	-	(1,000,000)	-	8,254,349

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (a) Joint ventures (Continued)

	31 December 2019	Movements for the current period (Unaudited)				30 June 2020 (Unaudited)
		Share of net profit/(loss) under equity method	Share of other changes in equity	Cash dividends/ profit declared	Intra-group unrealized profit	
Binzhou Port QDP International Terminal Co., Ltd. ("Binzhou Port QDP International Terminal")	12,183,331	4,507,838	1,899,858	(6,373,217)	-	12,217,810
Qingdao PetroChina Storage Company Limited ("PetroChina Storage")	146,688,204	431,141	-	-	-	147,119,345
Ocean Bridge International Port Operation and Management Co., Ltd. ("Ocean Bridge International")	1,335,032	314,793	-	-	-	1,649,825
	<u>8,810,888,278</u>	<u>658,288,461</u>	<u>13,038,294</u>	<u>(909,995,651)</u>	<u>(4,558,432)</u>	<u>8,567,660,950</u>

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (b) Associates

Investments in associates are set out below:

	31 December 2019	Movements for the current period (Unaudited)		30 June 2020 (Unaudited)
		Increase/ decrease in investment	Share of net profit/(loss) under equity method	
Qingyin Financial Leasing	103,584,420	–	6,290,969	109,875,389
Qingdao Port Lianhai International Logistics Co., Ltd. (“Lianhai Logistics”)	17,113,369	–	1,241,154	18,354,523
Vado Investment	74,993,197	–	–	74,993,197
Unitrans Group Co., Ltd. (“Unitrans”)	132,550,932	–	6,747,805	139,298,737
COSCO SHIPPING Ports (Abu Dhabi) Co., Ltd. (“COSCO Abu Dhabi”) (i)	–	420,207,777	–	420,207,777
Shandong Port Energy Co., Ltd. (“Shandong Port Energy”) (ii)	–	12,250,000	–	12,250,000
	<u>328,241,918</u>	<u>432,457,777</u>	<u>14,279,928</u>	<u>774,979,623</u>

(i) On 26 November 2019, Qingdao Port International Development (Hong Kong) Co., Ltd. (“International Development”), a subsidiary of the Company, signed an agreement with COSCO SHIPPING Ports Co., Ltd. (“COSCO SHIPPING Ports”) and COSCO Abu Dhabi, undertaking to purchase 33.335% of the equity of COSCO Abu Dhabi held by COSCO SHIPPING Ports for USD59,276,030, which has been completed in this period. International Development only has a significant impact on COSCO Abu Dhabi, so it is accounted for as an associate company.

(ii) On 8 January 2020, Qingdao Bonded Port Tongda Oil & Gas Co., Ltd. (“Tongda Oil & Gas”), a subsidiary of the Company, and PetroChina Kunlun Gas Co., Ltd. (“Kunlun Gas”) jointly established Shandong Port Energy, with Tongda Oil & Gas holding 49%, Kunlun Gas holds 51% of the shares. Tongda Oil and Gas only has a significant impact on Shandong Port Energy, so it is accounted for as an associate company.

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



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (9) Other non-current financial assets

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
Investments in financial assets at fair value through profit or loss		
Financial bonds (i)	<b>498,619,830</b>	465,888,977
Equity investments (ii)	<b>72,207,877</b>	72,207,877
	<b><u>570,827,707</u></b>	<b><u>538,096,854</u></b>

- (i) Other non-current financial assets with a carrying amount of RMB498,619,830 were mainly bank financial bonds purchased by Qingdao Finance Company, a subsidiary of the Company.
- (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. For the six months ended 30 June 2020, the Company received cash dividends of RMB19,500 from Sanya Yalong Bay (For the six months ended 30 June 2019: RMB29,250).

### (10) Investment properties

	<b>Buildings</b>	<b>Land use rights</b>	<b>Total</b>
<b>Cost</b>			
31 December 2019	<u>44,811,262</u>	<u>160,420,632</u>	<u>205,231,894</u>
30 June 2020 (Unaudited)	<b><u>44,811,262</u></b>	<b><u>160,420,632</u></b>	<b><u>205,231,894</u></b>
<b>Accumulated depreciation</b>			
31 December 2019	(8,425,397)	(19,711,612)	(28,137,009)
Increase in the current period (Unaudited)	<u>(678,713)</u>	<u>(1,689,126)</u>	<u>(2,367,839)</u>
30 June 2020 (Unaudited)	<b><u>(9,104,110)</u></b>	<b><u>(21,400,738)</u></b>	<b><u>(30,504,848)</u></b>
<b>Net book value</b>			
30 June 2020 (Unaudited)	<b><u>35,707,152</u></b>	<b><u>139,019,894</u></b>	<b><u>174,727,046</u></b>
31 December 2019	<u>36,385,865</u>	<u>140,709,020</u>	<u>177,094,885</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (10) Investment properties (Continued)

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

As at 30 June 2020 and 31 December 2019, the management of the Group considered that there is no indication that the investment properties may be impaired, therefore no provision for impairment is recorded.

For the six months ended 30 June 2020 and 2019, no interest expenses were capitalized in investment properties by the Group.

As at 30 June 2020, investment properties with the net book value of RMB5,803,440 and cost of RMB6,560,347 (31 December 2019: the net book value of RMB6,055,742 and cost of RMB6,560,347) are without certificates due to locating on lands that do not belong to the Group.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (11) Fixed assets

	Buildings	Port facilities	Storage facilities	Loading equipment	Machinery and equipment	Vessels	Motor vehicles	Communication facilities	Office and other equipment	Total
Cost										
31 December 2019	818,569,550	10,562,041,433	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
Increase in the current period (Unaudited)										
Transfer from construction in progress	4,958,268	479,561,764	24,021,472	-	12,465,039	-	-	-	-	521,006,543
Purchase in the current period	954,677	2,171,323	-	12,436,662	46,964,935	-	2,811,182	317,207	1,020,862	66,676,848
Transfer from right-of-use assets	-	74,587,362	-	-	-	-	-	-	-	74,587,362
Decrease in the current period (Unaudited)										
Disposal and discarding	(2,687,208)	(79,092)	-	(19,647,123)	(12,698,558)	(8,003,961)	(5,160,191)	(327,541)	(303,255)	(48,906,929)
30 June 2020 (Unaudited)	821,795,287	10,918,282,790	5,254,219,251	2,867,539,710	876,736,797	1,467,160,110	117,638,899	172,735,813	78,740,830	22,574,839,487
Accumulated depreciation										
31 December 2019	(231,537,703)	(2,342,156,773)	(1,033,709,960)	(2,455,218,659)	(620,968,128)	(691,553,129)	(88,315,037)	(121,659,755)	(40,031,185)	(7,620,150,329)
Increase in the current period (Unaudited)										
Provision	(13,608,836)	(140,922,856)	(98,272,400)	(50,718,132)	(29,733,888)	(31,905,801)	(3,774,967)	(8,722,859)	(2,095,563)	(379,755,302)
Transfer from right-of-use assets	-	(5,012,419)	-	-	-	-	-	-	-	(5,012,419)
Decrease in the current period (Unaudited)										
Disposal and discarding	1,258,198	75,928	-	18,271,502	6,327,352	7,603,763	4,643,014	240,097	175,726	38,595,580
30 June 2020 (Unaudited)	(243,888,341)	(2,488,016,120)	(1,131,982,360)	(2,487,665,289)	(644,574,664)	(715,855,167)	(82,446,990)	(130,142,517)	(41,951,022)	(7,966,322,470)
Net book value										
30 June 2020 (Unaudited)	577,906,946	8,430,266,670	4,122,236,891	379,874,421	232,362,133	751,304,943	35,191,909	42,593,296	36,789,808	14,608,527,017
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

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (11) Fixed assets (Continued)

	Machinery and other equipment							Total		
	Buildings	Port facilities	Storage facilities	Loading equipment	Machinery and equipment	Vessels	Motor vehicles		Communication facilities	Office and other equipment
Cost										
31 December 2018	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	20,482,340,689
Increase in the current period (Unaudited)										
Transfer from construction in progress	1,021,118	(6,253,589)	38,043,826	45,383,005	5,025,026	2,427,601	289,014	-	-	161,443,179
Purchase in the current period	-	-	1,423,583	18,444,343	11,414,549	-	2,814,629	5,361,114	2,257,756	41,715,974
Decrease in the current period (Unaudited)										
Disposal and discarding	-	-	-	(2,821,960)	(2,509,692)	-	(3,348,125)	(947,120)	(47,074)	(9,673,971)
Others	-	(14,517,608)	(86,523,487)	-	-	-	-	-	-	(101,041,095)
30 June 2019 (Unaudited)	587,644,226	9,387,011,022	5,124,435,474	2,833,227,577	813,104,267	1,475,164,071	115,069,956	164,634,353	74,493,780	20,574,784,726
Accumulated depreciation										
31 December 2018	(210,474,790)	(2,097,623,667)	(849,046,362)	(2,359,259,227)	(572,906,141)	(627,782,842)	(79,259,628)	(100,503,086)	(36,762,783)	(6,933,618,526)
Increase in the current period (Unaudited)										
Provision	(11,200,924)	(115,788,318)	(91,188,692)	(52,782,411)	(28,485,127)	(31,863,790)	(3,809,146)	(8,373,470)	(1,943,536)	(345,435,414)
Decrease in the current period (Unaudited)										
Disposal and discarding	-	-	-	2,764,044	2,403,865	-	2,738,698	121,102	33,972	8,061,681
Others	-	757,621	3,423,363	-	-	-	-	-	-	4,180,984
30 June 2019 (Unaudited)	(221,675,714)	(2,212,654,364)	(936,811,691)	(2,409,277,594)	(598,987,403)	(659,646,632)	(80,330,076)	(108,755,454)	(38,672,347)	(7,266,811,275)
Net book value										
30 June 2019 (Unaudited)	365,968,512	7,174,356,658	4,187,623,783	423,949,983	214,116,864	815,517,439	34,739,880	55,878,899	35,821,433	13,307,973,451
31 December 2018	376,148,318	7,234,651,374	4,322,445,190	412,962,962	226,268,243	844,953,628	36,054,810	59,717,273	35,520,315	13,548,722,113

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (11) 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 2019	26,984,361	2,187,267,267	924,917,845	93,923	3,139,263,396
30 June 2020 (Unaudited)	26,984,361	2,187,267,267	924,917,845	93,923	3,139,263,396
Accumulated depreciation					
31 December 2019	(7,954,512)	(362,298,188)	(138,094,097)	(86,194)	(508,432,991)
Provision	(662,876)	(31,498,033)	(11,928,618)	-	(44,089,527)
30 June 2020 (Unaudited)	(8,617,388)	(393,796,221)	(150,022,715)	(86,194)	(552,522,518)
Net book value					
30 June 2020 (Unaudited)	18,366,973	1,793,471,046	774,895,130	7,729	2,586,740,878
31 December 2019	19,029,849	1,824,969,079	786,823,748	7,729	2,630,830,405

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 six months ended 30 June 2020 is RMB379,755,302 (For the six months ended 30 June 2019: RMB345,435,414). The amounts of depreciation expenses charged to cost of sales and general expenses were RMB368,082,172 and RMB11,673,130 respectively (For the six months ended 30 June 2019: RMB333,833,720 and RMB11,601,694 respectively).

For the six months ended 30 June 2020, the costs of fixed assets transferred from construction in progress amount to RMB521,006,543 (For the six months ended 30 June 2019: RMB161,443,179).

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (11) Fixed assets (Continued)

- (a) As at 30 June 2020 and 31 December 2019, there is no mortgaged fixed assets in the Group.
- (b) As at 30 June 2020 and 31 December 2019, 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 30 June 2020 and 31 December 2019, there were no temporarily idle fixed assets.
- (d) Fixed assets that have not received a certificate of property right:

As at 30 June 2020, properties with a book value of RMB8,909,654 (Cost: RMB10,107,873) (As at 31 December 2019: book value of RMB9,122,178, cost: RMB10,107,873) are located on non-owned land with a book value of RMB241,599,267 (Cost: RMB243,210,171). (As at 31 December 2019: book value of RMB242,371,578, cost: RMB243,210,171). The financial statements for the completion of the project have not yet been processed, so the property right certificate has not yet been processed.

### (12) Construction in progress

	30 June 2020 (Unaudited)			31 December 2019		
	Carrying amount	Impairment provision	Net book value	Carrying amount	Impairment provision	Net book value
Dongjiakou stevedoring, storage and transportation projects for liquid bulk cargo	2,182,185,215	-	2,182,185,215	1,633,252,741	-	1,633,252,741
Dongjiakou bulk cargo berths and storage yard project	689,698,909	-	689,698,909	663,305,860	-	663,305,860
Other projects	257,985,686	-	257,985,686	214,055,542	-	214,055,542
	<u>3,129,869,810</u>	<u>-</u>	<u>3,129,869,810</u>	<u>2,510,614,143</u>	<u>-</u>	<u>2,510,614,143</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (12) Construction in progress (Continued)

#### (a) Changes of major projects

Project name	Budget	31 December 2019	Increase in the current period (Unaudited)	Transfer to fixed assets (Unaudited)	30 June 2020 (Unaudited)	Percentage of project investment among budget	Progress of the project	Accumulative amount of capitalized borrowing costs	Including: Borrowing costs capitalized in the current period	Capitalization rate in the current period	Sources of capital
Dongjiakou stevedoring, storage and transportation projects for liquid bulk cargo	11,367,960,000	1,633,252,741	931,612,074	(382,679,000)	2,182,185,215	35%	35%	-	-	-	Internal capital
Dongjiakou bulk cargo berths and storage yard project	2,588,049,500	663,305,860	148,667,723	(122,274,674)	689,698,909	48%	48%	31,034,142	364,277	4.90%	Internal capital and bank loan
Other projects		214,055,542	59,982,413	(16,052,269)	257,985,686	-	-	-	-	-	Internal capital
		2,510,614,143	1,140,262,210	(521,006,543)	3,129,869,810			31,034,142	364,277		



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

##### (12) Construction in progress (Continued)

###### (a) Changes of major projects (Continued)

Project name	Budget	31 December 2018	Increase in the current period (Unaudited)	Transfer to fixed assets (Unaudited)	Other decrease in the current period (Unaudited)	30 June 2019	Percentage of project investment among budget	Progress of the project	Accumulative amount of capitalized borrowing costs	Including: Borrowing costs capitalized in the current period	Capitalization rate in the current period	Sources of capital
Dongjiakou stevedoring, storage and transportation projects for liquid bulk cargo	7,539,655,000	1,102,758,037	474,474,319	(100,270,980)	-	1,476,961,376	60%	60%	-	-	-	Internal capital
Dongjiakou bulk cargo berths and storage yard project	1,683,791,000	786,900,531	21,087,084	(5,605,020)	(85,377,700)	717,004,895	74%	74%	30,238,575	490,194	4.90%	Internal capital and bank loan
Other projects		151,560,642	83,366,975	(55,567,179)	-	179,360,438			-	-	-	Internal capital
		2,041,219,210	578,928,378	(161,443,179)	(85,377,700)	2,373,336,709			30,238,575	490,194		

As at 30 June 2020 and 31 December 2019, the management of the Group considered that there is no indication that the construction in progress may be impaired, therefore no provision for impairment was recorded.

## NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (13) Right-of-use assets

	Buildings	Port facilities	Storage facilities	Loading equipment	Vessel	Total
Cost						
31 December 2019	1,871,306	262,314,357	171,378,705	135,464,068	91,439,655	662,468,091
Decrease in the current period (Unaudited)						
Lease change	-	(74,587,362)	-	-	-	(74,587,362)
30 June 2020 (Unaudited)	1,871,306	187,726,995	171,378,705	135,464,068	91,439,655	587,880,729
Accumulated depreciation						
31 December 2019	(259,904)	(24,223,067)	(35,751,196)	(56,053,261)	(4,825,982)	(121,113,410)
Increase in the current period (Unaudited)						
Provision	(311,884)	(7,486,331)	(19,902,414)	(6,614,743)	(2,412,991)	(36,728,363)
Decrease in the current period (Unaudited)						
Lease change	-	5,012,419	-	-	-	5,012,419
30 June 2020 (Unaudited)	(571,788)	(26,696,979)	(55,653,610)	(62,668,004)	(7,238,973)	(152,829,354)
Net book value						
30 June 2020 (Unaudited)	1,299,518	161,030,016	115,725,095	72,796,064	84,200,682	435,051,375
31 December 2019	1,611,402	238,091,290	135,627,509	79,410,807	86,613,673	541,354,681

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (13) Right-of-use assets (Continued)

	Port facilities	Storage facilities	Loading equipment	Vessel	Total
Cost					
31 December 2018	324,485,476	166,686,184	137,715,817	91,439,655	720,327,132
Increase in the current period (Unaudited)					
New lease contract	2,780,001	–	5,881,423	–	8,661,424
30 June 2019 (Unaudited)	327,265,477	166,686,184	143,597,240	91,439,655	728,988,556
Accumulated depreciation					
31 December 2018	(16,021,206)	(703,778)	(43,798,477)	–	(60,523,461)
Increase in the current period (Unaudited)					
Provision	(7,358,038)	(18,000,319)	(7,470,262)	(2,412,991)	(35,241,610)
30 June 2019 (Unaudited)	(23,379,244)	(18,704,097)	(51,268,739)	(2,412,991)	(95,765,071)
Net book value					
30 June 2019 (Unaudited)	303,886,233	147,982,087	92,328,501	89,026,664	633,223,485
31 December 2018	308,464,270	165,982,406	93,917,340	91,439,655	659,803,671

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (14) Intangible assets

	Land use right	Software	Sea area use right	Others	Total
Cost					
31 December 2019	2,565,864,495	113,512,362	76,548,790	50,178,663	2,806,104,310
Increase in the current period (Unaudited)					
Purchase	119,344,265	85,490	–	–	119,429,755
Internal research and development	–	8,884,761	–	–	8,884,761
30 June 2020 (Unaudited)	2,685,208,760	122,482,613	76,548,790	50,178,663	2,934,418,826
Accumulated amortization					
31 December 2019	(133,728,828)	(58,498,418)	(7,193,390)	(38,276,058)	(237,696,694)
Increase in the current period (Unaudited)					
Provision	(26,669,231)	(9,080,475)	(237,116)	(1,503,125)	(37,489,947)
30 June 2020 (Unaudited)	(160,398,059)	(67,578,893)	(7,430,506)	(39,779,183)	(275,186,641)
Book value					
30 June 2020 (Unaudited)	2,524,810,701	54,903,720	69,118,284	10,399,480	2,659,232,185
31 December 2019	2,432,135,667	55,013,944	69,355,400	11,902,605	2,568,407,616

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (14) Intangible assets (Continued)

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

For the six months ended 30 June 2020, the amount of amortization for intangible assets is RMB37,489,947 (For the six months ended 30 June 2019: RMB30,126,794).

As at 30 June 2020, there are no intangible assets, which is still in the process of certificate application (As at 31 December 2019, the intangible assets with a book value of RMB141,114,331 with the Cost of RMB141,804,988 is still in the process of certificate application).

As at 30 June 2020 and 31 December 2019, there are no pledged intangible assets.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (14) Intangible assets (Continued)

As at 30 June 2020 and 31 December 2019, the management of the Group considered that there was no indication of impairment of intangible assets, therefore no provision for impairment was required.

The Group's Development expenses are as follows:

	31 December 2019	Increase in current period (Unaudited)	Decrease in the current period		30 June 2020 (Unaudited)
			Recorded in profit and loss (Unaudited)	Recognized as intangible assets (Unaudited)	
Information system maintenance and software	-	15,491,616	(6,606,855)	(8,884,761)	-

For the six months ended 30 June 2020, the Group's research and development expenses amounted to RMB15,491,616 (For the six months ended 30 June 2019: RMB12,039,826), of which RMB6,606,855 (For the six months ended 30 June 2019: RMB12,997,414) was charged in R&D expenses for the current period, of which RMB8,884,761 (For the six months ended 30 June 2019: RMB613,027) was recognized as intangible assets. As at 30 June 2020, the intangible assets developed by the Group accounted for 2.05% (As at 31 December 2019: 1.86%) of the carrying amount of the total intangible assets.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (a) Deferred tax assets before offsetting

	30 June 2020 (Unaudited)		31 December 2019	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Assets revaluation surplus	2,827,526,304	706,881,576	2,859,155,888	714,788,972
Early retirement benefits	60,450,000	15,112,500	63,420,000	15,855,000
Elimination of intra-group unrealized profit	408,381,932	102,095,483	375,004,588	93,751,147
Provision for asset impairment	273,614,984	68,023,995	225,453,220	55,983,554
Accrued expenses	7,604,172	1,901,043	34,100,380	8,525,095
Deductible losses	47,248,411	11,812,103	46,912,100	11,728,025
Government grant	84,577,518	21,144,380	86,403,257	21,600,814
	<u>3,709,403,321</u>	<u>926,971,080</u>	<u>3,690,449,433</u>	<u>922,232,607</u>
Including:				
Expected to be recovered within one year (inclusive)		24,829,353		32,290,612
Expected to be recovered after one year		<u>902,141,727</u>		<u>889,941,995</u>
		<u>926,971,080</u>		<u>922,232,607</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

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

#### (b) Deferred tax liabilities before offsetting

	30 June 2020 (Unaudited)		31 December 2019	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Business combinations involving enterprises not under common control	88,299,040	22,074,760	89,181,748	22,295,437
Depreciation of fixed assets	64,083,671	16,020,918	49,467,094	12,366,774
Changes in fair value of wealth management products	13,582,996	3,395,749	14,011,388	3,502,847
	<u>165,965,707</u>	<u>41,491,427</u>	<u>152,660,230</u>	<u>38,165,058</u>
Including:				
Expected to be recovered within one year (inclusive)		7,601,350		6,760,082
Expected to be recovered after one year		<u>33,890,077</u>		<u>31,404,976</u>
		<u>41,491,427</u>		<u>38,165,058</u>

#### (c) Deductible temporary differences and deductible losses that are not recognized as deferred tax assets are analyzed as follows:

	30 June 2020 (Unaudited)	31 December 2019
Deductible temporary differences	18,996,560	18,996,560
Deductible losses	<u>198,655,895</u>	<u>168,376,188</u>
	<u>217,652,455</u>	<u>187,372,748</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (15) 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:

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
2021	9,341,894	9,341,894
2022	39,944,152	39,944,152
2023	65,542,085	65,652,162
2024	52,360,943	53,437,980
2025	31,466,821	–
	<u>198,655,895</u>	<u>168,376,188</u>

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

	<u>30 June 2020 (Unaudited)</u>		<u>31 December 2019</u>	
	Offsetting amount	Amount after offsetting	Offsetting amount	Amount after offsetting
Deferred tax assets	(19,416,667)	907,554,413	(15,869,621)	906,362,986
Deferred tax liabilities	(19,416,667)	22,074,760	(15,869,621)	22,295,437

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (16) Provision for asset impairment

	31 December 2019	Increase in the current period (Unaudited)	Decrease in the current period		30 June 2020 (Unaudited)
			Reversal (Unaudited)	Write-off (Unaudited)	
Provision for bad debts of notes receivables	4,695,165	-	(1,450,244)	-	3,244,921
Including: Provision for bad debts on the individual basis	-	-	-	-	-
Provision for bad debts on the grouping basis	4,695,165	-	(1,450,244)	-	3,244,921
Provision for bad debts of accounts receivable	166,415,834	38,801,198	-	-	205,217,032
Including: Provision for bad debts on the individual basis	20,317,373	-	-	-	20,317,373
Provision for bad debts on the grouping basis	146,098,461	38,801,198	-	-	184,899,659
Provision for bad debts of other receivables	31,019,382	26,375,998	-	-	57,395,380
Including: Provision for bad debts on the individual basis	-	-	-	-	-
Provision for bad debts on the grouping basis	31,019,382	26,375,998	-	-	57,395,380
Provision for impairment of contract assets	13,984,735	-	(10,171,621)	-	3,813,114
Provision for impairment of long-term receivables	51,412,185	20,349,893	-	-	71,762,078
Provision for impairment of goodwill	4,686,830	-	-	-	4,686,830
	<u>272,214,131</u>	<u>85,527,089</u>	<u>(11,621,865)</u>	<u>-</u>	<u>346,119,355</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (17) Other non-current assets

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
Construction and equipment expenditures prepaid	<b>575,408,249</b>	97,865,742
Prepaid Red Star Logistics equity and debt (i)	<b>280,594,100</b>	–
VAT input to be deducted	<b>225,141,857</b>	182,529,721
Taxes advance receipt from port facilities rental income (ii)	<b>159,126,304</b>	164,870,124
Foundation oil (iii)	<b>154,048,708</b>	154,048,708
	<b><u>1,394,319,218</u></b>	<b><u>599,314,295</u></b>

- (i) The payment was made in advance by the Company to purchase 37.59%, 31.92% and 17.25% of the shares held by Redstar Logistics from Qingdao Guorong Group Co., Ltd., Guizhou Redstar Development Co., Ltd. and Zhenning County Red Butterfly Industrial Co., Ltd and to pay for the debts owed to the shareholders of Red Star Logistics. The transaction has not been completed for the six months ended 30 June 2020.
- (ii) 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.
- (iii) 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.

### (18) Short-term borrowings

	Currency	<b>30 June 2020 (Unaudited)</b>	31 December 2019
Unsecured borrowings	RMB	<b>22,500,000</b>	102,500,000
Unsecured borrowings	USD	<b>224,948,982</b>	18,928,589
Secured borrowings	RMB	–	6,970,000
Interest payable	RMB & USD	<b>546,798</b>	197,983
		<b><u>247,995,780</u></b>	<b><u>128,596,572</u></b>

As at 30 June 2020, the interest rate of short-term borrowings ranges from 4.50% to 5.22% (31 December 2019: 4.50% to 7.00%).

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (19) Notes payable

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
Trade acceptance notes	<b>678,024,004</b>	805,497,045
Bank acceptance notes	<b>143,791,861</b>	359,272,738
	<b><u>821,815,865</u></b>	<u>1,164,769,783</u>

### (20) Accounts payable

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
Material expenditure payable	<b>693,239,339</b>	759,261,798
Subcontract costs payable	<b>205,029,246</b>	239,180,821
Transportation expenses payable	<b>198,318,500</b>	198,572,153
Agency fee payable	<b>124,079,673</b>	80,494,250
Repair expenses payable	<b>47,217,819</b>	38,125,242
Subcontract handling expenses payable	<b>23,854,575</b>	31,620,722
Rental expenses payable	<b>27,807,749</b>	19,896,497
Others	<b>44,838,599</b>	44,514,600
	<b><u>1,364,385,500</u></b>	<u>1,411,666,083</u>

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

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
Within 1 year	<b>1,258,451,366</b>	1,298,696,285
Over 1 year	<b>105,934,134</b>	112,969,798
	<b><u>1,364,385,500</u></b>	<u>1,411,666,083</u>

As at 30 June 2020, accounts payable over one year amounted to RMB105,934,134 (31 December 2019: RMB112,969,798), mainly comprising of subcontract costs payable for constructions and unsettled due to not reaching the settlement point of the contract.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (21) Contract Liabilities

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
Loading fee received in advance	59,491,179	57,131,038
Construction fee received in advance	34,218,936	78,363,503
Logistic fee received in advance	18,040,770	78,529,777
Tug fees collected in advance	17,268,614	12,662,753
Material/Fuel fee received in advance	3,102,541	15,398,732
Others	553,052	3,446,919
	<u>132,675,092</u>	<u>245,532,722</u>

The balance of the Group's contract liabilities amounted to RMB245,528,654 (For the six months ended 30 June 2019: RMB115,708,185) has been recognized into revenue from main operations for the six months ended 30 June 2020.

### (22) Employee benefits payable

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
Short-term employee benefits payable (a)	128,653,301	176,020,528
Defined contribution plans payable (b)	6,124,872	5,945,488
Termination benefits payable (c)	10,920,000	11,950,000
Defined benefit plans payable (d)	116,390,000	114,580,000
	<u>262,088,173</u>	<u>308,496,016</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (22) Employee benefits payable (Continued)

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

	31 December 2019	Increase in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2020 (Unaudited)
Wages and salaries, bonus, allowances and subsidies	137,303,601	528,913,022	(573,820,403)	92,396,220
Employee welfare	10,995	46,772,245	(37,168,479)	9,614,761
Social security contributions	23,358	32,834,806	(32,858,164)	-
Including: Medical insurance	23,133	32,348,096	(32,371,229)	-
Work injury insurance	225	486,710	(486,935)	-
Housing fund	11,991	52,884,854	(52,880,325)	16,520
Labor union funds and employee education funds	7,569,700	11,235,498	(12,101,250)	6,703,948
Outsourcing costs	31,086,068	194,707,890	(205,872,106)	19,921,852
Others	14,815	121,478	(136,293)	-
	<u>176,020,528</u>	<u>867,469,793</u>	<u>(914,837,020)</u>	<u>128,653,301</u>

#### (b) Defined contribution plans

	31 December 2019	Increase in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2020 (Unaudited)
Basic pensions	35,932	31,316,953	(31,330,855)	22,030
Unemployment insurance	1,572	1,389,985	(1,390,594)	963
Enterprise annuity	5,907,984	37,770,494	(37,576,599)	6,101,879
	<u>5,945,488</u>	<u>70,477,432</u>	<u>(70,298,048)</u>	<u>6,124,872</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (22) Employee benefits payable (Continued)

#### (c) Termination benefits payable

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
Early retirement benefits payable (Current portion)	<u>10,920,000</u>	<u>11,950,000</u>

Early retirement benefits borne by the Group are recognized as long-term employee benefits payable (Note 4(29)), the current portion of which is presented as employee benefits payable.

#### (d) Defined benefit plans

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
Supplemental retirement benefits (Current portion)	<u>116,390,000</u>	<u>114,580,000</u>

Supplemental retirement benefits borne by the Group are recognized as long-term employee benefits payable (Note 4(29)), the current portion of which is presented as employee benefits payable.

### (23) Taxes payable

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
Enterprise income tax payable	247,268,297	195,268,696
Unpaid VAT	36,849,028	19,114,794
Land use tax payable	13,486,083	13,524,254
Property tax payable	1,206,057	2,370,587
Stamp duty payable	1,049,900	1,757,232
Individual income tax payable	497,069	930,873
Deed tax payable	-	10,127,351
Others	3,047,369	5,770,043
	<u>303,403,803</u>	<u>248,863,830</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (24) Other payables

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
Customer deposits by Qingdao Finance (i)	<b>6,324,806,658</b>	4,759,108,178
Construction and equipment expenditures payable (ii)	<b>1,520,905,357</b>	1,470,147,099
Dividends payable (iii)	<b>1,304,905,153</b>	312,469
Payables and advances from agent business (iv)	<b>490,885,067</b>	673,439,817
Guarantees and deposits payable	<b>82,734,608</b>	93,572,912
Port construction fees payable (v)	<b>20,308,784</b>	54,897,823
Rail freight collected on behalf	<b>13,953,972</b>	23,822,763
Interest of customer deposits by Qingdao Finance (i)	<b>9,709,516</b>	15,823,682
Borrowings from minority shareholders	-	28,000,000
Others	<b>87,338,794</b>	81,407,071
	<b><u>9,855,547,909</u></b>	<b><u>7,200,531,814</u></b>

- (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) As at 30 June 2020, the dividends payable is mainly due to the Company's distribution of 2019 dividends to all shareholders. According to the resolution of the board of directors on 26 March 2020 and the resolution of the annual general meeting on June 10 2020, the Company intends to distribute to all shareholders. The cash dividend in 2019 is RMB2.003 (tax included) for every 10 shares. Based on the 6,491,100,000 shares issued, the proposed cash dividend is RMB1,300,167,330.
- (iv) Payables and advances from agent business are payables and amounts received on behalf by the Group relating to shipping agency business, agent procurement businesses.
- (v) Port construction fees payable are collected by the Group on behalf and will be paid to Qingdao Maritime Safety Administration of the PRC.
- (a) As at 30 June 2020, other payables over 1 year of RMB228,916,226 (31 December 2019: RMB389,667,081) were mainly construction and equipment expenditures payable which remain outstanding as are not due.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (25) Long-term borrowings

	Currency	30 June 2020 (Unaudited)	31 December 2019
Unsecured borrowings	EUR	75,632,301	75,632,301
Unsecured borrowings	RMB	72,160,687	85,160,687
Interest payable	RMB & EUR	983,220	681,308
Less: Current portion		(29,893,220)	(28,591,308)
		<u>118,882,988</u>	<u>132,882,988</u>

As at 30 June 2020, interest rate of the long-term borrowings ranges from 2.60% to 4.90% (31 December 2019: 2.60% to 4.90%).

### (26) Bonds payable

	31 December 2019	Repayment in the current period (Unaudited)	Interest accrued by par value (Unaudited)	30 June 2020 (Unaudited)
Corporate bonds payable	2,173,022,334	(77,901,920)	39,385,140	2,134,505,554
Less: Current portion	(56,122,334)			(2,134,505,554)
	<u>2,116,900,000</u>			<u>-</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

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (26) Bonds payable (Continued)

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. 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. Interest of the bonds is paid annually and calculated by the simple interest method.

As at 30 June 2020, 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 30 June 2020, the Group's the principal balance and interest of bonds payable within one year was RMB2,116,900,000 and RMB17,605,554 respectively, which was presented as current portion of non-current liabilities.

### (27) Lease liability

	30 June 2020 (Unaudited)	31 December 2019
Lease liabilities	409,558,733	529,221,202
Less: Current portion	(138,872,053)	(150,919,886)
	<u>270,686,680</u>	<u>378,301,316</u>

As at 30 June 2020, 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (28) Deferred income

	31 December 2019 (Unaudited)	Increase in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2020 (Unaudited)	Reason
Government grants (a)	<u>213,850,289</u>	<u>–</u>	<u>(3,782,961)</u>	<u>210,067,328</u>	Jimo Port Project Support Fund, etc.

#### (a) Government grants

	31 December 2019 (Unaudited)	Increase in current period (Unaudited)	Recorded in other income in the current period (Unaudited)	Recorded in non-operating income in the current period (Unaudited)	30 June 2020 (Unaudited)	Assets related/ income related
Special funds for outer channel (i)	127,447,032	–	(1,957,221)	–	125,489,811	Assets related
Special support fund (ii)	73,461,185	–	(656,668)	–	72,804,517	Assets related
Support funds for smart port pilot project	6,000,000	–	–	–	6,000,000	Assets related
Special subsidy for shore power projects	6,942,072	–	(1,169,072)	–	5,773,000	Assets related
	<u>213,850,289</u>	<u>–</u>	<u>(3,782,961)</u>	<u>–</u>	<u>210,067,328</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.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (29) Long-term employee benefits payable

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
Early retirement benefits payable (a)	<b>60,450,000</b>	63,420,000
Supplemental retirement benefits payable (b)	<b>2,483,730,000</b>	2,482,130,000
Less: Current portion	<b>(127,310,000)</b>	(126,530,000)
	<b><u>2,416,870,000</u></b>	<u>2,419,020,000</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:

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
Early retirement benefits	<b>60,450,000</b>	63,420,000
Less: Current portion	<b>(10,920,000)</b>	(11,950,000)
	<b><u>49,530,000</u></b>	<u>51,470,000</u>

#### (b) Supplemental retirement benefits of the Group:

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
Supplemental retirement benefits	<b>2,483,730,000</b>	2,482,130,000
Less: Current portion	<b>(116,390,000)</b>	(114,580,000)
	<b><u>2,367,340,000</u></b>	<u>2,367,550,000</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (29) Long-term employee benefits payable (Continued)

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

	Early retirement benefits	Supplemental retirement benefits
1 January 2020	63,420,000	2,482,130,000
Amount recognized in profit or loss for the current period (Unaudited)		
Service cost	–	2,230,000
Net interest expense on the net obligations	970,000	43,050,000
Re-measurement amount (Unaudited)		
Actuarial loss for the current period	2,780,000	–
Payment of benefits (Unaudited)	(6,720,000)	(43,680,000)
30 June 2020 (Unaudited)	<u>60,450,000</u>	<u>2,483,730,000</u>
	Early retirement benefits	Supplemental retirement benefits
1 January 2019	85,930,000	2,540,220,000
Amount recognised in profit or loss for the current period (Unaudited)		
Service cost	–	1,900,000
Net interest expense on the net obligations	1,320,000	44,100,000
Re-measurement amount (Unaudited)		
Actuarial loss/(gains) for the current period	990,000	(94,070,000)
Payment of benefits (Unaudited)	(9,590,000)	(45,710,000)
30 June 2019 (Unaudited)	<u>78,650,000</u>	<u>2,446,440,000</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (29) Long-term employee benefits payable (Continued)

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

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
Discount rate – early retirement benefits	2.50%	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 six months ended 30 June 2020 and the six months ended 30 June 2019, 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 analyzed as follows:

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Early retirement benefits –		
Average age	53.7	53.6
Average expected future time until legally retirement	3.6	3.7
Supplemental retirement benefits –		
Average age	53.2	53.3
Average residual expected future entire duration	29.7	29.6

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (29) Long-term employee benefits payable (Continued)

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

	Change in assumption	Impact on present value of defined benefit liability	
		Increase in assumption	Decrease in assumption
Discount rate – early retirement benefits	0.25%	1.42% down	1.47%up
Discount rate – supplemental retirement benefits	0.25%	3.05% down	3.19%up
Salary and welfare growth rate – early retirement benefits	1%	5.17% up	4.46% down
Jinglao allowance growth rate – supplemental retirement benefits	1%	4.53% up	3.82% down
Fushou allowance growth rate – supplemental retirement benefits	1%	4.07% up	3.33% down

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

- (f) As at 30 June 2020, expected maturity analysis of undiscounted defined benefit liability is as follows (unaudited):

	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Early retirement benefits	10,810,000	8,520,000	15,580,000	38,560,000	73,470,000
Supplemental retirement benefits	116,400,000	121,870,000	383,750,000	3,785,280,000	4,407,300,000
	<u>127,210,000</u>	<u>130,390,000</u>	<u>399,330,000</u>	<u>3,823,840,000</u>	<u>4,480,770,000</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.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (29) Long-term employee benefits payable (Continued)

- (h) Early retirement benefits and supplemental retirement benefits recognized in profit or loss for the current period are as follows:

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
General and administrative expenses	5,010,000	2,890,000
Financial expenses	<u>44,020,000</u>	<u>45,420,000</u>

### (30) Other non-current liabilities

	30 June 2020 (Unaudited)	31 December 2019
Lease payments collected in advance	<u>2,784,887,421</u>	<u>2,888,198,834</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 Xinqianwan 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 six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (31) Share capital

	31 December 2019	New issue of shares (Unaudited)	30 June 2020 (Unaudited)
Foreign shares issued overseas	1,099,025,000	–	1,099,025,000
RMB denominated common stock	5,392,075,000	–	5,392,075,000
	<u>6,491,100,000</u>	<u>–</u>	<u>6,491,100,000</u>

	31 December 2018	New issue of shares (Unaudited)	30 June 2019 (Unaudited)
Foreign shares issued overseas	1,099,025,000	–	1,099,025,000
RMB denominated common stock	4,937,699,000	454,376,000	5,392,075,000
	<u>6,036,724,000</u>	<u>454,376,000</u>	<u>6,491,100,000</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 HK\$3.76 (approximately RMB2.99), and the excess was exercised. After the placement option, the share capital increased to 4,778,204,000 shares. The above funds were verified by Xinyong Zhonghe Certified Public Accountants Co., Ltd. (Special General Partnership) Co., Ltd. and issued a capital verification report numbered XYZH/2014QDA2002.

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

The Company determined private placement of 1,015,520,000 domestic shares on 22 May 2017 to Shanghai China Shipping Terminal 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 six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (31) 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).

### (32) Capital surplus

	31 December 2019	Increase in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2020 (Unaudited)
Share premium –				
Capital premium contributed by Qingdao Port Group (a)	7,052,279,474	–	–	7,052,279,474
Capital premium contributed by Other Promoters (a)	783,586,608	–	–	783,586,608
Issue of new shares (b)	8,652,856,972	–	–	8,652,856,972
Shares issue expenses (b)	(242,175,098)	–	–	(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	24,888,823	13,038,294	–	37,927,117
	<u>12,326,352,961</u>	<u>13,038,294</u>	<u>–</u>	<u>12,339,391,255</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (32) Capital surplus (Continued)

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

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (32) Capital surplus (Continued)

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

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

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

On 21 January 2019, the Company completed the initial public offering of 454,376,000 ordinary shares (A shares). The amount of raised capital less 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (33) Other comprehensive income

	Other comprehensive income in the balance sheet		Other comprehensive income in the income statement for the six months ended 30 June 2020			
	31 December 2019	Attributable to the parent company after tax (Unaudited)	30 June 2020 (Unaudited)	Amount incurred before income tax for the current period (Unaudited)	Attributable to the parent company after tax (Unaudited)	Attributable to minority interests, net of tax (Unaudited)
Other comprehensive income items which will not be reclassified to profit or loss						
Amount changes arising from remeasurement of defined benefit plans	172,292,502	-	172,292,502	-	-	-
Other comprehensive income that will be subsequently reclassified to profit or loss						
Fair value changes in other debt investments	10,376,170	(8,485,330)	1,890,840	(12,121,900)	(8,485,330)	(3,636,570)
	<u>182,668,672</u>	<u>(8,485,330)</u>	<u>174,183,342</u>	<u>(12,121,900)</u>	<u>(8,485,330)</u>	<u>(3,636,570)</u>

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



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (34) Surplus reserve

	31 December 2019	Appropriation in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2020 (Unaudited)
Statutory surplus reserve	<u>1,278,378,901</u>	<u>–</u>	<u>–</u>	<u>1,278,378,901</u>

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

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.

### (35) General reserve

	31 December 2019	Appropriation in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2020 (Unaudited)
General reserve	<u>380,586,794</u>	<u>–</u>	<u>–</u>	<u>380,586,794</u>

	31 December 2018	Appropriation in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2019 (Unaudited)
General reserve	<u>298,283,806</u>	<u>–</u>	<u>–</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 30 June 2020, the general reserve of the Company's subsidiary, Qingdao Finance, has reached 1.5% of the balance of the period-end risk assets.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (36) Undistributed profits

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Undistributed profits at beginning of period	9,694,379,282	8,742,614,209
Add: Attributable to equity holders of the Company	2,012,822,439	2,008,021,219
Profit distribution to shareholders (a)	<u>(1,300,167,330)</u>	<u>(2,464,670,670)</u>
Undistributed profits at the end of the period	<u><b>10,407,034,391</b></u>	<u><b>8,285,964,758</b></u>

- (a) According to the resolution of the Board of Directors' meeting on 26 March 2020 and the annual shareholders meeting on 10 June 2020, the Company proposed to distribute cash dividends of 2019 to all shareholders, amounted to RMB1,300,167,330.

For the six months ended 30 June 2020, the Board of Directors has not announced to distribute mid-year dividends (For the six months ended 30 June 2019: nil).

### (37) Revenue and cost of sales

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Revenue from main operations	5,481,507,462	5,452,041,956
Revenue from other operations	<u>590,595,990</u>	<u>547,740,024</u>
	<u><b>6,072,103,452</b></u>	<u><b>5,999,781,980</b></u>
	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Cost of sales from main operations	(3,408,556,502)	(3,631,086,209)
Cost of sales from other operations	<u>(336,208,690)</u>	<u>(289,634,430)</u>
	<u><b>(3,744,765,192)</b></u>	<u><b>(3,920,720,639)</b></u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (37) Revenue and cost of sales (Continued)

#### (a) Revenue and cost of sales from main operations

	Six months ended 30 June 2020 (Unaudited)		Six months ended 30 June 2019 (Unaudited)	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
Container handling and ancillary services	92,563,938	(34,878,651)	106,667,918	(36,610,273)
Metal ore, coal and other cargo handling and ancillary services	1,493,552,638	(1,163,028,032)	1,364,329,816	(984,171,004)
Liquid bulk cargo handling and ancillary services	1,037,665,974	(234,046,059)	690,917,444	(181,941,874)
Logistics and port value-added services	2,184,895,342	(1,439,043,833)	2,441,081,397	(1,673,820,187)
Port ancillary services – construction, labor and construction of port machinery	672,829,570	(537,559,927)	849,045,381	(754,542,871)
	<u>5,481,507,462</u>	<u>(3,408,556,502)</u>	<u>5,452,041,956</u>	<u>(3,631,086,209)</u>

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

	Six months ended 30 June 2020 (Unaudited)		Six months ended 30 June 2019 (Unaudited)	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Lease revenue (i)	168,170,370	(80,574,432)	171,413,740	(80,603,524)
Sales of fuel, electricity and others	418,521,875	(255,285,733)	372,358,999	(208,519,856)
Financial services	3,903,745	(348,525)	3,967,285	(511,050)
	<u>590,595,990</u>	<u>(336,208,690)</u>	<u>547,740,024</u>	<u>(289,634,430)</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (37) Revenue and cost of sales (Continued)

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

- (i) The Group's rental income is from leasing port facilities, storage facilities, buildings, machinery and equipment and motor vehicles. For the six months ended 30 June 2020, there's no variable rental income recognized based on the certain percentage of the lessee's sales amount.

For the six months ended 30 June 2020, 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 30 June 2020, the amounts of revenue corresponding to contract obligations that were signed but not fulfilled or not completely fulfilled were RMB933,695,032 (As at 31 December 2019: RMB1,019,640,133), of which RMB732,011,136 is expected that it will be recognized as revenue in 2020 and RMB201,683,896 in 2021.

### (38) Taxes and surcharges

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)	Calculation and payment standard
Land use tax	22,015,685	25,719,799	3.2 -11.2 yuan/square meter/year
City maintenance and construction tax	8,911,480	7,092,675	7%
Education surcharge and local education surcharge	6,292,653	5,074,055	3% and 2%
Stamp duty	4,403,790	3,944,091	Proportional tax rate, Norm quota tax rate
Property tax	3,146,124	2,927,839	Levied on prices and values
Others	6,494,140	7,559,696	
	<u>51,263,872</u>	<u>52,318,155</u>	

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (39) General and administrative expenses

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Employee benefits	143,101,792	168,183,465
Office expenses and entertainment expenses	17,318,165	11,327,648
Depreciation of fixed assets	11,673,130	11,601,694
Amortization of intangible assets	7,258,997	4,092,467
Consumption of other raw materials	5,630,339	6,529,193
Intermediary service fee	5,278,400	6,705,463
Lease fee	3,830,051	2,809,527
Fuel and utility fees	2,378,639	9,598,727
Repair expenses	481,682	6,178,291
Others	23,174,406	34,774,586
	<u>220,125,601</u>	<u>261,801,061</u>

### (40) Financial expenses

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Interest expenses on deposits	25,056,008	24,121,619
Bonds, borrowings and other interest expenses	59,151,483	75,500,322
Add: Interest expense for lease liabilities	14,962,421	16,872,179
Less: Capitalized interest	(364,277)	(490,194)
	<u>98,805,635</u>	<u>116,003,926</u>
Interest expenses	98,805,635	116,003,926
Less: Interest income	(226,364,485)	(260,939,156)
Effect of actuarial calculation of employee benefits	44,020,000	45,420,000
Exchange gains or losses	(23,488,911)	(8,073,430)
Others	1,739,656	1,509,128
	<u>(105,288,105)</u>	<u>(106,079,532)</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (41) Expenses by nature

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

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Employee benefits	933,313,481	976,049,857
Subcontract cost	838,055,043	995,480,094
Cost for outsourcing transportation	797,117,143	800,337,082
Depreciation of fixed assets	379,755,302	345,435,414
Consumption of raw materials in construction contract	251,777,367	339,074,122
Consumption of other raw materials	167,716,264	147,931,160
Cost of sales for fuel and electricity	175,159,809	150,555,867
Procurement cost of fuel and utility fees	157,457,836	156,052,074
Rental expenses (i)	100,340,764	106,750,067
Repair expense	50,667,900	39,921,908
Amortization of intangible assets	37,489,947	30,126,794
Depreciation of right-of use assets	36,728,363	35,241,610
Amortization of long-term prepaid expenses	9,910,467	7,730,956
Auditor's fee	3,742,444	4,371,455
– Audit service	3,638,670	4,362,021
– Non-audit services	103,774	9,434
Depreciation of investment properties	2,367,839	2,445,573
Others	44,563,067	67,630,393
	<b>3,986,163,036</b>	<b>4,205,134,426</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 six months ended on 30 June 2020, the amount is RMB100,340,764. (As of the six months ended on 30 June 2019, the amount is RMB106,750,067.)

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (42) Other income

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)	Asset related/ Income related
Additional deduction of VAT input	<b>15,552,905</b>	3,071,301	Income related
Employment stabilization subsidies	<b>8,004,661</b>	1,780,317	Income related
Development support funds related to daily operations	<b>5,424,373</b>	70,445,093	Income related
Special funds for outer route	<b>1,957,221</b>	1,957,221	Asset related
Other government grants	<b>1,961,958</b>	371,355	Asset/Income related
	<b><u>32,901,118</u></b>	<u>77,625,287</u>	

For the six months ended 30 June 2020 and for the six months ended 30 June 2019, other income was included in the non-recurring profit or loss of the period.

### (43) Investment income

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Investment income from long-term equity investments under equity method	<b>668,009,957</b>	714,286,642
Investment income from disposal of long-term equity investments	<b>43,935,905</b>	522,168
Interest income from holding of other debt investments	<b>32,761,500</b>	23,761,093
Investment income from holding of financial assets held for trading	<b>22,828,658</b>	15,052,610
Interest income from holding of debt investment	<b>1,906,722</b>	21,181,415
Interest expenses of discounted notes	<b>(1,273,168)</b>	–
	<b><u>768,169,574</u></b>	<u>774,803,928</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (44) Impairment loss on credit

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Provision for bad debts of notes Receivable (reversal)	(1,450,244)	5,185,537
Provision for bad debts of accounts receivable	38,801,198	14,626,009
Provision for bad debts of other receivables	26,375,998	3,054,842
Provision for bad debts of long-term receivables (reversal)	20,349,893	(6,999,138)
Provision for impairment loss of contract assets (reversal)	(10,171,621)	5,352,548
	<u>73,905,224</u>	<u>21,219,798</u>

### (45) Income tax expenses

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Current income tax calculated based on tax law and related regulations	570,356,590	488,532,874
Deferred income tax	(1,412,104)	22,801,089
	<u>568,944,486</u>	<u>511,333,963</u>

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

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Total profit	<u>2,887,654,013</u>	<u>2,689,320,225</u>
Income tax expenses calculated at applicable tax rates	721,913,503	672,330,056
The effect of preferential tax rates	(3,196,428)	(6,015,321)
Investment income not subject to tax	(167,002,489)	(178,571,661)
Additional deduction of employee benefits of the disabled	(618,994)	(547,041)
Costs, expenses and losses not deductible for tax purposes	9,982,189	14,427,815
Deductible losses not recognized as deferred tax assets in the current period	<u>7,866,705</u>	<u>9,710,115</u>
Income tax expenses	<u>568,944,486</u>	<u>511,333,963</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (46) Earnings per share

#### (a) Basic earnings per share

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

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Consolidated net profit attributable to ordinary shareholders of the Company	2,012,822,439	2,008,021,219
Weighted average number of ordinary shares outstanding	6,491,100,000	6,415,370,667
Basic earnings per share	0.31	0.31
Including:		
– Basic earnings per share from continuing operations	0.31	0.31
– Basic earnings per share from discontinued operations	–	–

#### (b) Diluted earnings per share

Diluted earnings per share is calculated by dividing net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares for the six months ended 30 June 2020 (For the six months ended 30 June 2019: nil), diluted earnings per share equal to basic earnings per share.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (47) Notes to the cash flow statement

#### (a) Cash received relating to other operating activities

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Lease payments received	108,854,890	94,505,399
Interest from cash at bank	32,582,461	84,336,886
Government grants	29,139,802	81,414,714
Logistics business fees collected on behalf	19,918,603	83,944,220
Receipt of deposits and guarantees	–	6,587,112
Railage collected on behalf	–	19,299,947
Commission of port construction fees	–	7,108,370
Port construction fees collected on behalf	–	11,765,640
Others	4,976,286	689,959
	<u>195,472,042</u>	<u>389,652,247</u>

#### (b) Cash paid relating to other operating activities

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Payment of port construction fees	36,460,549	–
Advance payment for agency purchase	29,153,133	327,885,552
Payment of deposits and guarantees	27,158,460	–
Office expenses and entertainment expenses	19,548,604	14,393,203
Intermediary service fee	5,278,400	6,705,463
Bank service charge	1,739,656	1,509,128
Others	6,973,486	31,202,629
	<u>126,312,288</u>	<u>381,695,975</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (47) Notes to the cash flow statement (Continued)

#### (c) Cash received relating to other investing activities

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Recovery of loans provided to related parties and third parties	<b>161,313,463</b>	1,749,032,830
Recovery of inter-bank borrowing funds from financial institutions	<b>1,200,000,000</b>	–
Recovery of statutory deposit reserve by Qingdao Finance	–	376,029,938
Cost reimbursement for sea reclamation	–	218,725,300
	<b><u>1,361,313,463</u></b>	<b><u>2,343,788,068</u></b>

#### (d) Cash paid relating to other investing activities

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Provision of loans to related parties and third parties	<b>3,304,141,333</b>	1,785,786,284
Funding to other financial institutions	<b>250,000,000</b>	–
Statutory deposit reserve deposited by Qingdao Finance	<b>77,384,815</b>	–
	<b><u>3,631,526,148</u></b>	<b><u>1,785,786,284</u></b>

#### (e) Cash received relating to other financing activities

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Deposits received by Qingdao Finance	<b><u>1,549,216,247</u></b>	<b><u>645,362,843</u></b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (47) Notes to the cash flow statement (Continued)

#### (f) Cash paid relating to other financing activities

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Amount paid for lease liabilities	<u>139,367,304</u>	<u>69,295,803</u>

For the six months ended 30 June 2020, the Group's total cash outflow related to leases is RMB240,703,338. Except for the above payment of lease liabilities recognized in financing activities, the other cash outflows are all recognized in operating activities.

### (48) Supplementary information to the cash flow statement

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

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Net profit	2,318,709,527	2,177,986,262
Credit impairment loss	73,905,224	21,219,798
Depreciation of right-of-use assets	36,728,363	35,241,610
Depreciation of fixed assets and investment properties	382,123,141	347,880,987
Amortization of intangible assets	37,489,947	30,126,794
Amortization of long-term prepaid expenses	9,910,467	7,730,956
Amortization of deferred income	(3,782,961)	(5,152,127)
(Gains)/Losses on disposal of fixed assets, intangible assets and other non-current assets	(14,797,037)	1,213,416
Income on changes in fair value	(2,720,249)	(2,663,358)
Investment income	(768,169,574)	(774,803,928)
(Increase)/decrease in deferred tax assets	(1,412,104)	22,801,089
Financial expenses	(74,731,918)	(21,073,829)
Decrease/(increase) in inventories	86,981,399	(216,189,630)
Increase in operating receivables	(42,491,440)	(858,959,919)
(Decrease)/increase in operating payables	(988,921,727)	201,698,503
Net cash flows from operating activities	<u>1,048,821,058</u>	<u>967,056,624</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (48) Supplementary information to the cash flow statement (Continued)

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

Significant operating activities, investing activities and operating activities that do not involve cash receipts and payments:

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Goods and services purchased by endorsement of notes receivable	474,395,569	844,123,740
Long-term assets acquired by endorsement of notes receivable	52,485,062	23,914,256
Increase of right-of-use assets in the current period	-	122,514,004

#### (b) Net movements in cash

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Cash at the end of the period	6,359,577,827	7,310,283,953
Less: Cash at the beginning of the period	(3,998,246,081)	(4,014,278,650)
Net increase in cash	2,361,331,746	3,296,005,303

#### (c) Cash

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Unaudited)
Cash at bank and on hand (Note 4(1))	9,835,275,776	6,846,399,847
Less: Term deposits with initial term of over 3 months	(2,700,737,380)	(2,125,776,000)
Other restricted cash balance	(774,960,569)	(722,377,766)
Cash at the end of the period	6,359,577,827	3,998,246,081

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

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

### (49) Monetary items denominated in foreign currencies

	30 June 2020 (Unaudited)		
	Foreign currencies balance	Conversion rate	RMB balance
Cash at bank and on hand –			
USD	106,036,166	7.0795	750,683,037
HKD	15,759	0.9134	14,395
EUR	25,081	7.9610	199,668
			<u>750,897,100</u>
Accounts receivable –			
USD	54,706,455	7.0795	387,294,347
JPY	4,390,429	0.0658	288,925
EUR	60,278	7.9610	479,873
			<u>388,063,145</u>
Accounts payable –			
USD	9,634,881	7.0795	68,210,141
JPY	1,461,100	0.0658	96,152
			<u>68,306,293</u>
Short-term borrowings –			
USD	31,774,699	7.0795	224,948,982
Long-term borrowings –			
EUR	10,261,469	7.9610	75,632,301

Monetary items denominated in foreign currencies above means all currencies except RMB.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 5 CHANGES OF THE SCOPE OF CONSOLIDATION

### (1) New subsidiaries

On 23 December 2019, the Company established a non-wholly owned subsidiary, Qingdao Qilu Fuhai Storage Co., Ltd. ("Qilu Fuhai Storage") with the registered capital of RMB250 million and the Company hold 50% of its shareholding. As at 30 June 2020, shareholders of both parties contributed a total of RMB125 million, with the Company contributing RMB75 million.

### (2) Disposal of subsidiary

(a) The relevant information on the disposal of subsidiaries for the current period is summarized as follows:

Subsidiary name	Disposal price	Disposal ratio	Disposal method	Time of loss of control	Judgment basis at the time of loss of control	The difference between disposal price and the subsidiary's net asset share corresponding to disposal investment at the consolidated financial statement level	
						The amount of other comprehensive income related to the equity investment of the atomic company transferred to the investment profit and loss	
Yongli Insurance (i)	60,528,700	100%	Equity transfer	28 June 2020	Change business registration	43,935,905	-

(i) On 28 June 2020, the Company and its subsidiary, Qingdao Port Engineering, disposed 100% equity of Yongli Insurance in total to Shangang Financial Holdings, and the disposal gains were RMB43,935,905.

(b) The profit and loss of disposal is as follows:

(i) *Yongli Insurance*

	Amount
Disposal price	60,528,700
Less: corresponding shares of net assets of Yongli Insurance in the consolidated financial statements	<u>(16,592,795)</u>
Investment income from disposal	<u>43,935,905</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 EQUITY INTEREST IN OTHER ENTITIES

### (1) Equity interest in subsidiaries

#### (a) Constitution of the enterprise group

Name of subsidiaries	Category of entity	Major business location	Place of registration	Principal activities	Registered capital (Ten thousand yuan) (Unless otherwise noted)	Shareholding		
						Direct	Indirect	Acquisition method
QDP Logistics	Limited Liability Company	Qingdao, China	Qingdao, China	Integrated logistics	24,500	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 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
Qingdao Haiye Mercurial Logistics Co., Ltd. ("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



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

### (1) Equity interest in subsidiaries (Continued)

#### (a) Constitution of the enterprise group (Continued)

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 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	Container freight station service	5,000	-	58%	Set-up or investment
Qingdao Port Jiefeng International Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Container freight station service	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
Qingdao Ganglianyu International Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	500	-	60%	Set-up or investment
Technology Company	Limited Liability Company	Qingdao, China	Qingdao, China	Software and hardware maintenance	2,000	100%	-	Set-up or investment
Qingdao Port Properties	Limited Liability Company	Qingdao, China	Qingdao, China	Property management	800	100%	-	Set-up or investment

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

### (1) Equity interest in subsidiaries (Continued)

#### (a) Constitution of the enterprise group (Continued)

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	
Culture Media	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
International Development	Limited Liability Company	Hongkong, China	Hongkong, China	Investment management	4,043	100%	-	Business combination involving enterprises under common control
Tongbao Shipping	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
Qingdao Port Svitzer Towage Co., Ltd. ("Svitzer Towage") (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Lightering services	21,000	55%	-	Set-up or investment
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	Container freight station 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

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

### (1) Equity interest in subsidiaries (Continued)

#### (a) Constitution of the enterprise group (Continued)

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	
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.	Limited Liability Company	Qingdao, China	Qingdao, China	Ocean shipping tally services	400	-	100%	Set-up or investment
Qingdao Gangyuntai Logistics Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	8,000	-	100%	Business combinations involving enterprises not under common control
Qingdao Lugang International Logistics Co., Ltd. ("Lugang Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency	5,000	-	100%	Set-up or investment
Jimo Logistics	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
Ocean Tally Inspection	Limited Liability Company	Qingdao, China	Qingdao, China	Check and inspection	400	-	100%	Set-up or investment

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

### (1) Equity interest in subsidiaries (Continued)

#### (a) Constitution of the enterprise group (Continued)

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	
Tongan Security	Limited Liability Company	Qingdao, China	Qingdao, China	Security services	100	100%	-	Set-up or investment
Dongying Qingdong Logistics Co., Ltd.	Limited Liability Company	Dongying, China	Dongying, China	Logistics services	15,000	-	100%	Set-up or investment
Tongda Oil & Gas	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
Shandong Qingzi Logistics Co., Ltd. ("Qingzi Logistics")	Limited Liability Company	Qingdao, China	Zibo, China	Logistics services, Pipeline transportation	20,000	100%	-	Set-up or investment
Qingdao Zhenhua Petroleum Storage Co., Ltd. ("Zhenhua Petroleum Storage")	Limited Liability Company	Qingdao, China	Qingdao, China	Fuel storage	29,200	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
Qingdao Qianwan Nangang Oil & Gas Co., Ltd.	Limited Liability Company	Qingdao, China	Qingdao, China	LNG operation	5,000	-	55%	Set-up or investment
Qilu Fuhai Storage	Limited Liability Company	Qingdao, China	Qingdao, China	Fuel storage	25,000	60%	-	Set-up or investment
Qingdao Port International Oil Port Co., Ltd. ("Qinggang Oil Port") (ii)	Limited Liability Company	Qingdao, China	Qingdao, China	Fuel handling and storage	10,000	100%	-	Set-up or investment

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

### (1) Equity interest in subsidiaries (Continued)

#### (a) Constitution of the enterprise group (Continued)

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

As at 30 October 2014, the Company acquired 65% equity of Mercuria Oil Terminal through increase in capital and shares, and Mercuria Oil Terminal was treated as a subsidiary and included in the consolidation scope. As at 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%.

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%.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

### (1) Equity interest in subsidiaries (Continued)

#### (a) Constitution of the enterprise group (Continued)

##### (i) (Continued)

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.

- (ii) Qinggang Oil Port was incorporated on 28 June 2020. For the six months ended 30 June 2020, the Company has not paid the capital contribution.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

### (1) Equity interest in subsidiaries (Continued)

#### (b) Subsidiary with significant minority interests

Name of subsidiary	Shareholding of minority shareholders	Gains and losses attributable to minority interests for the six months ended 30 June 2020	Dividends declared to minority interests for the six months ended 30 June 2020	30 June 2020 Minority interests (Unaudited)
		(Unaudited)	(Unaudited)	
Qingdao Finance	30%	39,281,613	-	684,391,435
Lianhua Pipeline (i)	49%	220,503,120	-	978,850,994
Liquid Chemical Terminal	49%	937,016	-	361,082,477
Qingdong Pipe	49%	(967,723)	-	245,269,908

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

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

	30 June 2020 (Unaudited)			
	Qingdao Finance	Lianhua Pipeline	Liquid Chemical Terminal	Qingdong Pipe
Current assets	10,342,763,274	982,384,847	285,570,108	111,935,315
Non-current assets	5,515,128,025	3,204,336,284	456,198,197	1,185,840,347
Total assets	15,857,891,299	4,186,721,131	741,768,305	1,297,775,662
Current liabilities	(13,522,671,846)	(585,355,622)	(4,865,290)	(183,712,008)
Non-current liabilities	(53,914,666)	(1,729,037,466)	-	(613,512,820)
Total liabilities	(13,576,586,512)	(2,314,393,088)	(4,865,290)	(797,224,828)

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

### (1) Equity interest in subsidiaries (Continued)

#### (b) Subsidiary with significant minority interests (Continued)

	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
<b>Total assets</b>	<b>16,358,609,565</b>	<b>4,014,197,355</b>	<b>909,560,336</b>	<b>942,066,589</b>
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)
<b>Total liabilities</b>	<b>(14,196,121,590)</b>	<b>(2,580,554,236)</b>	<b>(174,569,598)</b>	<b>(439,761,442)</b>

	Six months ended 30 June 2020 (Unaudited)			
	Qingdao Finance	Lianhua Pipeline	Liquid Chemical Terminal	Qingdong Pipe
Revenue	213,755,163	800,433,156	-	28,338,969
Net profit/(loss)	130,938,711	432,052,927	1,912,278	(1,974,944)
Total comprehensive income	116,115,611	432,052,927	1,912,278	(1,974,944)
Cash flows from operating activities	(2,942,524,979)	432,052,927	(5,411,889)	(23,756,742)

	Six months ended 30 June 2019 (Unaudited)			
	Qingdao Finance	Lianhua Pipeline	Liquid Chemical Terminal	Qingdong Pipe
Revenue	159,796,013	441,531,873	-	-
Net profit	111,898,450	184,642,727	24,046	3,275,427
Total comprehensive income	111,898,450	184,642,727	24,046	3,275,427
Cash flows from operating activities	674,533,129	322,985,651	(241,571)	(259,095)



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

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

#### (a) General information of material joint ventures

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

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

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

	30 June 2020 (Unaudited)		31 December 2019	
	Qingdao Shihua	QQCT	Qingdao Shihua	QQCT
Current assets	895,334,023	1,489,844,220	881,524,424	1,270,759,616
Including: Cash	795,589,111	1,203,651,753	815,663,613	990,415,517
Non-current assets	2,449,330,070	12,259,484,774	2,503,178,544	12,123,541,853
Total assets	<u>3,344,664,093</u>	<u>13,749,328,994</u>	<u>3,384,702,968</u>	<u>13,394,301,469</u>
Current liabilities	(163,650,443)	(3,709,480,622)	(546,425,845)	(3,038,581,768)
Non-current liabilities	–	(3,227,826,552)	–	(2,558,410,201)
Total liabilities	<u>(163,650,443)</u>	<u>(6,937,307,174)</u>	<u>(546,425,845)</u>	<u>(5,596,991,969)</u>
Minority interests	–	208,712,956	–	482,741,043
Attributable to shareholders of the Company	<u>3,181,013,650</u>	<u>6,603,308,864</u>	2,838,277,123	7,314,568,457

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

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

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

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

	30 June 2020 (Unaudited)		31 December 2019	
	Qingdao Shihua	QQCT	Qingdao Shihua	QQCT
Current assets	-	1,489,844,220	-	1,270,759,616
Including: Cash	-	1,203,651,753	-	990,415,517
Non-current assets	-	12,843,124,787	-	12,757,936,223
<b>Total assets</b>	<b>-</b>	<b>14,332,969,007</b>	<b>-</b>	<b>14,028,695,839</b>
Current liabilities	-	(3,709,480,622)	-	(3,038,581,768)
Non-current liabilities	-	(3,373,736,555)	-	(2,717,008,794)
<b>Total liabilities</b>	<b>-</b>	<b>(7,083,217,177)</b>	<b>-</b>	<b>(5,755,590,562)</b>
Minority interests	-	213,915,618	-	488,984,237
Attributable to shareholders of the Company	-	7,035,836,212	-	7,784,121,040
	30 June 2020 (Unaudited)		31 December 2019	
	Qingdao Shihua	QQCT	Qingdao Shihua	QQCT
Shares of net assets in proportion (i)	1,590,506,825	3,454,192,990	1,419,138,562	3,824,340,430
Adjustments				
- Goodwill	-	1,672,785,426	-	1,672,785,426
- Unrealized profits arising from internal transactions	(66,173,732)	(77,128,408)	(68,631,724)	(78,426,628)
<b>Carrying amount of investment in joint ventures</b>	<b>1,524,333,093</b>	<b>5,049,850,008</b>	<b>1,350,506,838</b>	<b>5,418,699,228</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 6 EQUITY INTEREST IN OTHER ENTITIES (Continued)

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

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

	Six months ended 30 June 2020 (Unaudited)		Six months ended 30 June 2019 (Unaudited)	
	Qingdao Shihua	QQCT	Qingdao Shihua	QQCT
Revenue	774,390,566	1,900,030,185	838,063,408	1,929,353,213
Financial expenses	2,111,155	(57,037,443)	2,899,829	(64,606,750)
Income tax expenses	(108,228,785)	(280,456,935)	(115,547,511)	(256,688,164)
Net profit	331,930,948	889,576,430	402,075,823	903,522,384
Net profit attributable to the Company	331,930,948	884,310,703	402,075,823	894,851,971
Other comprehensive income	-	-	-	-
Total comprehensive income	331,930,948	884,310,703	402,075,823	894,851,971

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

	Six months ended on 30 June 2020 (Unaudited)		Six months ended on 30 June 2019 (Unaudited)	
	Qingdao Shihua	QQCT	Qingdao Shihua	QQCT
Net profit	-	851,510,662	-	864,883,213
Net profit attributable to the Company	-	846,244,935	-	856,212,800
Other comprehensive income	-	-	-	-
Total comprehensive income	-	846,244,935	-	856,212,800
Dividends received from joint ventures by the Group for the current period, as of the six months ended on 30 June 2020	-	817,783,089	-	-
Dividends declared by joint ventures in the current period, as of the six months ended on 30 June 2020	-	817,783,089	-	-

- (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 six months ended 30 June 2020 (Unaudited)

(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

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
<b>Joint ventures:</b>		
Aggregated carrying amount of investments	1,993,477,849	1,948,059,089
Aggregate of the following items in proportion		
Net profit (i)	48,937,682	76,590,739
Other comprehensive income (i)	-	-
Total comprehensive income	<u>48,937,682</u>	<u>76,590,739</u>
<b>Associates:</b>		
Aggregated carrying amount of investments	819,679,623	329,464,246
Aggregate of the following items in proportion		
Net profit (i)	14,279,928	7,828,425
Other comprehensive income (i)	-	-
Total comprehensive income	<u>14,279,928</u>	<u>7,828,425</u>

(i) The net profit and other comprehensive income have considered 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 six months ended 30 June 2020 (Unaudited)

(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 six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 7 SEGMENT INFORMATION (Continued)

(1) Segment information for the six months ended 30 June 2020 and as at 30 June 2020 is listed as follows (Unaudited):

	Container handling and ancillary services	Metal ores, coal and other cargo handling and ancillary services	Liquid bulk handling and ancillary services	Logistics and port value- added services	Port ancillary services	Financial services	Unallocated	Elimination among segments	Total
Revenue from external customers	92,563,938	1,493,552,638	1,037,665,974	2,184,895,342	1,259,521,815	154,347,658	-	-	6,222,547,365
Inter-segment revenue	5,851,094	67,263,536	44,439	56,120,427	347,241,786	63,311,249	-	(539,832,531)	-
Cost of sales	(34,878,651)	(1,163,028,032)	(234,046,059)	(1,439,043,833)	(873,420,092)	(31,694,784)	-	-	(3,776,111,451)
Interest income	9,609	1,325,350	9,687,726	6,463,579	844,613	17,250,722	64,089,752	(23,750,779)	75,920,572
Interest expenses	(13,135,103)	(28,344,096)	(76,404,168)	(13,198,317)	(13,715,379)	-	(39,385,140)	116,722,827	(67,459,376)
Investment income from associates and joint ventures	452,041,401	8,094,039	170,145,881	35,681,304	314,795	6,290,969	-	(4,558,432)	668,009,957
Credit impairment losses	-	257,143	(8,630,636)	2,521,617	(16,879,970)	(51,173,378)	-	-	(73,905,224)
Depreciation and amortization	(12,372,744)	(110,853,767)	(137,832,864)	(103,210,749)	(84,926,243)	(659,217)	(16,396,334)	-	(466,251,918)
Total profit	489,767,741	249,660,367	880,639,917	735,663,500	285,631,742	231,827,066	33,275,110	(18,811,430)	2,887,654,013
Income tax expenses	-	(2,960,723)	(160,182,751)	(124,435,041)	(17,293,106)	(58,727,180)	(205,345,685)	-	(568,944,486)
Net profit	489,767,741	246,699,644	720,457,166	611,228,459	268,338,636	173,099,886	(172,070,575)	(18,811,430)	2,318,709,527
Total assets	7,713,748,094	8,035,457,200	12,327,356,170	5,137,951,033	7,573,856,119	17,193,154,958	11,333,761,688	(13,364,210,555)	55,951,074,707
Total liabilities	758,804,972	3,175,793,392	4,897,708,936	2,239,095,729	8,379,923,129	13,575,037,214	2,121,642,768	(13,866,884,069)	21,281,122,071
Non-cash expenses other than depreciation and amortization	1,040,000	22,560,000	930,000	6,730,000	15,520,000	20,000	-	-	46,800,000
Long-term equity investments in associates and joint ventures	5,694,471,994	1,239,696,237	1,828,449,847	456,247,281	13,899,825	109,875,389	-	-	9,342,640,573
Additions of non-current assets (i)	103,676	171,917,773	1,297,597,327	22,578,484	247,242,070	-	6,074,060	117,642,228	1,863,155,618

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

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 7 SEGMENT INFORMATION (Continued)

(2) Segment information for the six months ended 30 June 2019 and as at 31 December 2019 is listed as follows (Unaudited):

(a) Segment information for the six months ended 30 June 2019

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

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

(b) Segment information as at 31 December 2019

	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
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>
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>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 7 SEGMENT INFORMATION (Continued)

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

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Revenue –		
Reportable segment revenue from external customers	<b>6,222,547,365</b>	6,110,101,897
Reclassification of interest income from external customers of Qingdao Finance (i)	<b>(150,443,913)</b>	(110,319,917)
Consolidated revenue (Note 4(37))	<b><u>6,072,103,452</u></b>	<u>5,999,781,980</u>
Interest income –		
Reportable segment interest income	<b>75,920,572</b>	150,619,239
Reclassification of interest income from external customers of Qingdao Finance (i)	<b>150,443,913</b>	110,319,917
Consolidated interest income (Note 4(40))	<b><u>226,364,485</u></b>	<u>260,939,156</u>
Cost of sales –		
Reportable segment cost of sales	<b>3,776,111,451</b>	3,945,845,972
Reclassification of interest expenses from external customers of Qingdao Finance (ii)	<b>(31,346,259)</b>	(25,125,333)
Consolidated cost of sales (Note 4(37))	<b><u>3,744,765,192</u></b>	<u>3,920,720,639</u>
Interest expenses –		
Reportable segment interest expenses	<b>67,459,376</b>	90,878,593
Reclassification of interest expenses from external customers of Qingdao Finance (ii)	<b>31,346,259</b>	25,125,333
Consolidated interest expenses (Note 4(40))	<b><u>98,805,635</u></b>	<u>116,003,926</u>

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### (1) The parent company

#### (a) General information of the parent company

	Category of entity	Place of registration	Legal representative	Principal activities
Qingdao Port Group	Limited Liability Company	Qingdao, China	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 30 June 2020, the ultimate controller of the Company was still Qingdao SASAC.

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

	31 December 2019	Increase in the current period (Unaudited)	Decrease in the current period (Unaudited)	30 June 2020 (Unaudited)
Qingdao Port Group	1,860,000,000	-	-	1,860,000,000

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

	30 June 2020 (Unaudited)		31 December 2019	
	Shareholding	Voting rights	Shareholding	Voting rights
Qingdao Port Group	54.47%	54.47%	54.47%	54.47%

### (2) Subsidiaries

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

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (3) Information of joint ventures and associates

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

<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
Qingyin Financial Leasing	Associate
Lianhai Logistics	Associate

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (4) Other related parties

Name of company	Relationship with the Group
Qingdao Fuwai Cardiovascular Hospital Co., Ltd. (“Fuwai Hospital”)	Controlled by the same parent company
Qingdao Port International Finance Leasing Co., Ltd. (“Qingdao Leasing”)	Controlled by the same parent company
Qingdao Port Investment and Construction (Group) Co., Ltd. (“QDP Investment Group”)	Controlled by the same parent company
Qingdao Port Investment of Real Estate Co., Ltd. (“QDP Investment Real Estate”)	Controlled by the same parent company
Qingdao Dongjiakou Railway Co., Ltd. (“Dongjiakou Railway”)	Controlled by the same parent company
Qingdao Hongyu Grand Hotel (“Hongyu Hotel”)	Controlled by the same parent company
Shandong Port Finance Holdings 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 International Cruises Co., Ltd. (“International Cruises”)	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 (Shenzhen) Commercial Insurance Co., Ltd., (“QDP Commercial Insurance”)	Controlled by the same parent company
Qingdao Port Asset Management Co., Ltd. (“Assets Management Company”)	Controlled by the same parent company
Qingdao Port Insurance Brokerage Co. Ltd.	Controlled by the same parent company
Shandong Port Fund Management Co., Ltd.	Controlled by the same parent company
Qingdao Harbor Hospital Investment and management Co., Ltd.	Controlled by the same parent company
Qingdao Port (Group) Tongda Industrial Corporation	Controlled by the same parent company
Qingdao Qinggang International Travel Service Co., Ltd. (“Qingdao Port Travel Agency”)	Controlled by the same parent company
Qingdao Harbor Vocational and Technical College (“QHVTCT”)	Controlled by the same parent company
Qingdao Port Finance Guarantee Co., Ltd. (“Finance Guarantee”)	Controlled by the same parent company
Shandong Port International Supply Chain Management Co., Ltd. (“Shandong Port Supply Chain”)	Controlled by the same parent company
Shandong Weihai Port Co., Ltd. (“Weihai Port”) (i)	Controlled by the same parent company
Weihai Port Group (i)	Controlled by the same parent company
Shandong Weihai Port International Trade Co., Ltd. (i)	Controlled by the same parent company
Shandong Weihai Port International Logistics Co., Ltd. (i)	Controlled by the same parent company
Weihai Dingxin Construction Engineering Co., Ltd. (i)	Controlled by the same parent company
Weihai Gangfeng Shipping Agency Co., Ltd. (“Weihai Gangfeng Shipping Agency”) (i)	Controlled by the same parent company

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (4) Other related parties (Continued)

Name of company	Relationship with the Group
Weihai Gangsheng Shipping Co., Ltd. (i)	Controlled by the same parent company
Weihai Gangtong Information Technology Co., Ltd. ("Weihai Gangtong Technology") (i)	Controlled by the same parent company
Weihai Gangxin Real Estate Development Co., Ltd. (i)	Controlled by the same parent company
Weihai International Logistics Park Co., Ltd. ("Weihai International Logistics Park") (i)	Controlled by the same parent company
Weihai Jiaodong International Container Shipping Co., Ltd. (i)	Controlled by the same parent company
Weihai Jinfeng Freight Forwarding Co., Ltd. ("Weihai Jinfeng Freight Forwarding") (i)	Controlled by the same parent company
Weihai Shichang Liquor Industry Co., Ltd. ("Weihai Shichang Liquor Industry") (i)	Controlled by the same parent company
Weihai Shichang Logistics Co., Ltd. ("Weihai Shichang Logistics") (i)	Controlled by the same parent company
Weihai Yufeng Energy Co., Ltd. (i)	Controlled by the same parent company
Weihai Zhongda Shipping Co., Ltd. ("Weihai Zhongda Shipping") (i)	Controlled by the same parent company
Weihai Zhongli Ocean Shipping Tally Co., Ltd. (i)	Controlled by the same parent company
China Weihai Shipping Agency Co., Ltd. (i)	Controlled by the same parent company
Weihai Qingwei International Logistics Co., Ltd. (i)	Controlled by the same parent company
Beijing Zhonggang Jinyuan Financial Leasing Co., Ltd. (i)	Controlled by the same parent company
Yongli Insurance (ii)	Controlled by the same parent company
Qingdao Cruise Home Port China Duty Free Goods Co., Ltd.	Associate of the parent company
Qingdao Cruise Home Port Development and Construction Co., Ltd.	Associate of the parent company
Shandong Port Group Co., Ltd. ("Provincial Port Group")	Sharing the same key management personnel with the Company
Qingdao Xi'an Xintong Logistics Co., Ltd. ("Xi'anXintong")	Joint venture of West United

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (4) Other related parties (Continued)

Name of company	Relationship with the Group
Qingdao Qianwan United Container Terminal Co., Ltd. ("QQCTU")	Joint venture of QQCTN
Qingdao Qianwan Intelligent Container Terminal Co., Ltd. ("QQCTI")	Subsidiary of QQCTN
Qingdao Qianwan United Advanced Container Terminal Co., Ltd. ("QQCTUA")	Joint venture of QQCTU
Qingdao Xinqianwan Container Terminal Co., Ltd. ("QQCTN")	Subsidiary of QQCT
Qingdao Zhongran Industrial Co., Ltd. ("Zhongran Industrial")	Controlled by COSCO shipping group
China Marine Bunker YINDA Qingdao Co., Ltd.	Controlled by COSCO shipping group
China Ship Fuel Qingdao Co., Ltd. ("China Shipbuilding Qingdao")	Controlled by COSCO shipping group
Qingdao COSCO Shipping Container Transport Co., Ltd. ("Qingdao COSCO Shipping Container")	Controlled by COSCO shipping group
China Qingdao Ocean Shipping Agency Co., Ltd. ("Qingdao Ocean Shipping Agency")	Controlled by COSCO shipping group
Qingdao COSCO Shipping Logistics Co., Ltd. ("COSCO Shipping Logistics")	Controlled by COSCO shipping group
The Orient Overseas Container Line (China) Co., Ltd. ("OOCL")	Controlled by COSCO shipping group
Qingdao Ocean & Great Asia Logistics Co., Ltd. ("Ocean & Great Asia")	Controlled by COSCO shipping group
Shanghai Pan-Asia Shipping Co., Ltd. ("Shanghai Pan-Asia Shipping")	Controlled by COSCO shipping group
Shanghai Puhai Shipping Co., Ltd.	Controlled by COSCO shipping group
COSCO Shipping Container Transport Co., Ltd. ("COSCO Shipping Container Transport")	Controlled by COSCO shipping group
Xinxinhai Shipping Co., Ltd.(Formerly: COSCON Southeast Asia Limited) ("Xinxinhai Shipping")	Controlled by COSCO shipping group
Qingdao COSCO Shipping Logistics Supply Chain Co., Ltd.	Controlled by COSCO shipping group
Qingdao Harbor International Logistics Co., Ltd.	Controlled by COSCO shipping group
Qingdao Ocean Shipping Daya Bonded Logistics Co., Ltd.	Controlled by COSCO shipping group
China Lianyungang Ocean Shipping Agency Co., Ltd. ("Lianyungang Ocean Shipping Agency")	Controlled by COSCO shipping group
COSCO Shipping Logistics (Henan) Co., Ltd ("COSCO Shipping Logistics (Henan)")	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
Qingdao Ocean Ocean Hongchi Logistics Co., Ltd.	Controlled by COSCO shipping group
COSCO Shipping (Hong Kong) Investment Development Co., Ltd. ("COSCO Shipping Hong Kong")	Controlled by COSCO shipping group

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (4) Other related parties (Continued)

Name of company	Relationship with the Group
Orient Overseas Logistics (China) Co., Ltd.	Controlled by COSCO shipping group
Qingdao Xin Sanli Cold Box Technology Co., Ltd.	Controlled by COSCO shipping group
COSCO Weizhi Container Logistics (Shanghai) Co. Ltd. ("COSCO Weizhi Container Logistics")	Controlled by COSCO shipping group
Lianyungang Ocean Ocean Fluid Handling Equipment Co., Ltd.	Controlled by COSCO shipping group
Qingdao COSCO Shipping Communication Technology Co., Ltd.	Controlled by COSCO shipping group
Qingdao COSCO Container Shipping Agency Co., Ltd.	Controlled by COSCO shipping group
China Marine Fuel Yantai Co., Ltd.	Controlled by COSCO shipping group
Qingdao COSCO Shipping Air Freight Forwarding Co., Ltd.	Controlled by COSCO shipping group
Qingdao COSCO Shipping Logistics International Storage and Transportation Co., Ltd.	Controlled by COSCO shipping group
China Marine Fuel Lianyungang Co., Ltd.	Controlled by COSCO shipping group
Qingdao Ocean Shipping Co., Ltd.	Controlled by COSCO shipping group
China Shipping Container Line Qingdao Co., Ltd.	Controlled by COSCO shipping group
Guangzhou Zhenhua Shipping Co., Ltd.	Controlled by COSCO shipping group
Qingdao Ocean Daya International Logistics 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
Zhongli Inspection Co., Ltd.	Controlled by COSCO shipping group
COSCO Shipping Development 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 companies controlled by QDP Group. From the date of signing the agreement to 30 June 2020, transactions between the Group and the above companies were related party transactions.

(ii) On 28 June 2020, the Company and its subsidiary, Qingdao Port Engineering, disposed 100% equity in Yongli Insurance. After the disposal, Yongli Insurance became a subsidiary of Qingdao Port Group. From the date of disposal to 30 June 30 2020, the transactions between the Group and Yongli Insurance are related party transactions.

(iii) China COSCO Shipping Group Co., Ltd. ("COSCO Shipping") indirectly holds 21.27% of the Company's equity through Shanghai China Shipping Terminal, Qingdao COSCO and China Shipping Terminal Development.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (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.

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

Purchase of goods or services:

Related party	Contents of transactions	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
China Shipbuilding Qingdao	Purchasing fuel	103,092,694	83,698,881
West United	Receiving of Loading & unloading and logistics services	57,228,169	66,516,488
Qingdao COSCO Shipping Container Transport	Receiving of Loading & unloading and logistics services	17,374,587	9,940,609
Huaneng Qingdao	Receiving of Loading & unloading and logistics services	14,200,356	14,512,261
QDOT	Receiving of Loading & unloading and logistics services	9,575,441	64,832,692
QQCTU	Receiving of Loading & unloading and logistics services	7,217,838	10,211,666
Qingdao Ocean Shipping Agency	Receiving of Loading & unloading and logistics services	5,063,765	1,944,325
Qingdao COSCO Shipping Container Transport	Receiving of Loading & unloading and logistics services	4,097,606	11,047,743
Weihai Zhongda Shipping	Receiving of logistics services	1,979,866	-
QDP Investment Group	Receiving of Loading & unloading and logistics services	1,925,606	3,423,175

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

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

Purchase of goods or services: (Continued)

Related party	Contents of transactions	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Lianyungang Ocean Shipping Agency	Receiving of logistics services	1,836,629	–
QQCT	Receiving of logistics services	1,682,358	3,189,336
Hongyu Hotel	Receiving of catering services	1,588,128	2,531,307
Qingdao Shihua	Receiving of Loading & unloading and logistics services	1,198,321	983,741
COSCO Shipping Logistics (Henan)	Receiving of logistics services	257,992	6,428,185
Lianhai Logistics	Receiving of logistics services	256,165	2,370,120
Binzhou Port QDP International Terminal	Receiving of Loading & unloading and logistics services	–	2,057,373
Other related parties	Receiving of Loading & unloading, logistics, training, traveling and factoring services	6,597,958	6,538,898
		<u>235,173,479</u>	<u>290,226,800</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

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

Selling goods and rendering services:

Related party	Contents of transactions	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
QQCT	Rendering of transporting, loading & unloading, repairing and other services	77,968,351	74,321,234
Qingdao Shihua	Rendering of transporting, loading & unloading, repairing and other services	62,365,564	62,168,127
Qingdao Ocean Shipping Agency	Rendering of transporting, loading & unloading, repairing and other services	57,028,152	61,636,724
QQCTU	Rendering of transporting, loading & unloading, repairing and other services	49,023,384	24,982,725
QDOT	Rendering of transporting, loading & unloading, repairing and other services	46,130,696	35,518,184
Ocean & Great Asia	Rendering of transporting, loading & unloading, repairing and other services	19,436,270	20,013,640
Shenzhouxing Cargo Agency	Rendering of transporting, loading & unloading, repairing and other services	18,970,161	25,122,088
Evergreen Container	Rendering of transporting, loading & unloading, repairing and other services	13,860,382	17,393,793
QQCTN	Rendering of transporting, loading & unloading, repairing and other services	13,750,087	13,877,371
Qingdao Port Group	Rendering of operating, loading & unloading, repairing and other services	12,550,554	10,425,482
QDP Investment Group	Rendering of transporting, loading & unloading, repairing and other services	12,072,414	12,169,354
Lianhai Logistics	Rendering of transporting, loading & unloading, repairing and other services	10,090,779	9,343,554
COSCO Shipping Container Transport	Rendering of transporting, loading & unloading, repairing and other services	9,444,926	12,530,183
QQCTUA	Rendering of transporting, loading & unloading, repairing and other services	8,384,490	6,900,570

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

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

Selling goods and rendering services: (Continued)

Related party	Contents of transactions	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Qingdao COSCO Shipping Container Transport	Rendering of transporting, loading & unloading, repairing and other services	7,838,471	13,352,354
Shanghai Pan-Asia Shipping	Rendering of transporting, loading & unloading, repairing and other services	7,606,353	7,674,191
West United	Rendering of transporting, loading & unloading, repairing and other services	6,934,041	4,864,437
COSCO Shipping Logistics	Rendering of transporting, loading & unloading, repairing and other services	6,778,702	4,737,592
Ganghai Logistics	Rendering of transporting, loading & unloading, repairing and other services	5,940,536	6,826,250
Orient Container	Rendering of transporting, loading & unloading, repairing and other services	4,616,907	7,281,235
Lianrong Logistics	Rendering of transporting, loading & unloading, repairing and other services	3,868,862	4,527,622
Xinxinhai Shipping	Rendering of transporting, loading & unloading, repairing and other services	3,468,252	3,272,675
Binzhou Port QDP International Terminal	Rendering of transporting, loading & unloading, repairing and other services	3,314,385	2,678,508
China Marine Bunker Qingdao	Rendering of transporting, loading & unloading, repairing and other services	3,140,820	310,726
COSCO Weizhi Container Logistics	Rendering of transporting, loading & unloading, repairing and other services	2,880,482	–

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

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

Selling goods and rendering services: (Continued)

Related party	Contents of transactions	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Huaneng Qingdao	Rendering of transporting, loading & unloading, repairing and other services	2,714,734	268,181
COSCO Shipping Hong Kong	Rendering of transporting, loading & unloading, repairing and other services	1,965,708	–
Ocean Bridge International	Rendering of transporting, loading & unloading, repairing and other services	1,917,287	18
Haiwan Liquid Chemical	Rendering of transporting, loading & unloading, repairing and other services	1,279,127	985,400
Weihai Jinfeng Freight Forwarding	Rendering of transporting, loading & unloading, repairing and other services	1,218,553	–
QHVTC	Rendering of transporting, loading & unloading, repairing and other services	1,156,392	4,650,319
Dongjiakou IMC Logistics	Rendering of transporting, loading & unloading, repairing and other services	542,314	64,126,528
Other related parties	Rendering of transporting, loading & unloading, repairing and other services	5,413,435	5,083,088
		<b>483,671,571</b>	<b>517,042,153</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

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

Selling goods and rendering services: (Continued)

Related party	Contents of transactions	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
QDOT	Rendering of construction services	61,363,480	64,539,914
West United	Rendering of construction services	31,016,653	10,429,926
Qingdao Port Group	Rendering of construction services	27,369,610	79,270,221
QQCTN	Rendering of construction services	15,727,398	286,010,096
QDP Investment Group	Rendering of construction services	11,451,994	24,594,834
QQCTU	Rendering of construction services	4,196,424	8,679,345
Qingdao Shihua	Rendering of construction services	2,601,803	5,612,540
QQCT	Rendering of construction services	1,094,336	1,073,405
Liquid Chemical Terminal	Rendering of construction services	1,053,588	788,199
Other related parties	Rendering of construction services	3,720,018	4,019,274
		<b>159,595,304</b>	<b>485,017,754</b>
QDOT	Sales of water, electricity, steam and oil	73,524,377	66,211,996
QQCT	Sales of water, electricity, steam and oil	46,777,474	48,236,786
QQCTN	Sales of water, electricity, steam and oil	16,164,952	23,292,177
Zhongran Industrial	Sales of water, electricity, steam and oil	9,240,170	9,883
West United	Sales of water, electricity, steam and oil	7,093,012	9,248,414

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

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

Selling goods and rendering services: (Continued)

Related party	Contents of transactions	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
QQCTUA	Sales of water, electricity, steam and oil	5,564,719	5,427,130
Qingdao Shihua	Sales of water, electricity, steam and oil	3,731,189	4,016,075
QQCTU	Sales of water, electricity, steam and oil	3,247,731	4,460,638
Evergreen Container	Sales of water, electricity, steam and oil	2,336,554	2,509,993
Shenzhouxing Cargo Agency	Sales of water, electricity, steam and oil	1,969,714	2,143,472
QDP Investment Group	Sales of water, electricity, steam and oil	1,578,250	1,398,849
Qingdao Port Group	Sales of water, electricity, steam and oil	1,388,684	575,424
Ganghai Logistics	Sales of water, electricity, steam and oil	1,091,294	1,339,508
Orient Container	Sales of water, electricity, steam and oil	965,527	994,828
QD International Cruise	Sales of water, electricity, steam and oil	718,155	1,512,398
Haiwan Liquid Chemical	Sales of water, electricity, steam and oil	536,994	862,042
Other related parties	Sales of water, electricity, steam and oil	2,392,551	2,881,398
		<b>178,321,347</b>	<b>175,121,011</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

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

Selling goods and rendering services: (Continued)

Related party	Contents of transactions	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
QQCT	Sales of port machinery and other equipment	136,387,063	32,074,938
QQCTN	Sales of port machinery and other equipment	38,615,370	58,477,090
QDOT	Sales of port machinery and other equipment	33,806,685	72,886,239
Qingwei Container	Sales of port machinery and other equipment	14,236,639	–
QDP Investment Group	Sales of port machinery and other equipment	884,739	29,733,501
Dongjiakou Railway	Sales of port machinery and other equipment	–	25,396,138
Other related parties	Sales of port machinery and other equipment	541,039	4,706,623
		<u>224,471,535</u>	<u>223,274,529</u>
		<u>1,046,059,757</u>	<u>1,400,455,447</u>

- (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.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

#### (b) Leases

The Group as the lessor:

Related Parties	Type of leased assets	Lease income confirmed for the six months ended 30 June 2020 (Unaudited)	Lease income confirmed for the six months ended 30 June 2019 (Unaudited)
QQCT	Buildings, storage facilities, port facilities and vehicles	112,821,356	114,055,456
Qingdao Shihua	Buildings, storage facilities and machinery & equipment	75,810,272	75,742,302
Evergreen Container	Buildings, storage facilities	5,005,170	4,994,033
QQCTU	Buildings, port facilities and vehicles	4,891,609	5,032,228
QDOT	Storage facilities, vehicles	4,156,216	3,630,104
Orient Container	Storage facilities	3,805,524	3,805,524
QQCTN	Port facilities and vehicles	3,297,935	2,005,529
Lianhai Logistics	Storage facilities and machinery	3,268,270	3,163,327
Lianrong Logistics	Storage facilities	2,661,700	2,698,433
Shenzhouxing Cargo Agency	Storage facilities and machinery	1,765,469	1,138,099
Ganghai Logistics	Machinery	98,442	4,833,394
Other related parties	Buildings, storage facilities and machinery & equipment	2,703,574	2,983,801
		<u>220,285,537</u>	<u>224,082,230</u>

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

Related party	Lease asset type	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Qingdao Leasing	Port facilities, machinery and equipment, buildings, ship, loading equipment and storage facilities	-	477,792,649

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

#### (b) Leases (Continued)

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

<b>Related Parties</b>	<b>Six months ended 30 June 2020 (Unaudited)</b>	<b>Six months ended 30 June 2019 (Unaudited)</b>
Qingdao Leasing	<u>12,168,352</u>	<u>14,209,742</u>

Other assets leased by the Group as a lessee:

<b>Related Parties</b>	<b>Type of leased assets</b>	<b>Lease income confirmed for the six months ended 30 June 2020 (Unaudited)</b>	<b>Lease income confirmed for the six months ended 30 June 2019 (Unaudited)</b>
Qingdao Port Group	Buildings, storage facilities	36,757,010	40,235,396
QDP Investment Group	Buildings, storage facilities and machinery & equipment	14,047,548	2,575,227
Qingdao Shihua	Storage facilities	5,687,300	-
QQCTU	Storage facilities	5,645,345	8,075,080
West United	Buildings, storage facilities	4,745,932	4,036,969
QQCTN	Storage facilities	4,092,476	4,352,598
Dongjiakou Sinotrans Logistics	Storage facilities	1,619,048	-
Other related parties	Buildings, storage facilities and machinery & equipment	<u>2,034,856</u>	<u>2,187,570</u>
		<u>74,629,515</u>	<u>61,462,840</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

#### (c) Finance lease and capital loans

*Lend out –*

	Amount	Starting date	Due Date
QDOT	8,000,000	2020-01-20	2021-01-19
QDOT	500,000,000	2020-02-27	2028-02-26
QDOT	60,000,000	2020-06-12	2025-06-11
QQCTN	2,664,600	2020-03-06	2021-03-05
QQCTN	42,550,500	2020-03-06	2021-03-05
QQCTN	8,550,220	2020-03-10	2021-03-09
QQCTN	17,989,600	2020-03-10	2021-03-09
QQCTN	11,182,650	2020-01-21	2025-01-20
QQCTN	88,000,000	2020-01-21	2023-01-20
QQCTN	32,043,100	2020-06-24	2025-06-23
QQCT	222,000,000	2020-03-10	2023-03-09
QQCT	200,000,000	2020-06-08	2023-06-07
QQCTU	330,000,000	2020-03-10	2022-03-27
QQCTUA	12,000,000	2020-02-25	2023-02-24
QQCTUA	10,000,000	2020-04-02	2023-04-01
QQCTUA	10,000,000	2020-05-29	2023-05-28
QQCTUA	10,000,000	2020-06-10	2023-06-09
Weihai Port	100,000,000	2020-03-23	2023-03-22
Weihai Port	130,000,000	2020-06-02	2023-06-01
QDP Investment Group	899,940,000	2020-05-29	2021-05-28
Weihai Port Group	300,000,000	2020-06-01	2021-05-31
PetroChina Storage	16,508,502	2020-06-29	2025-06-28
Qingyin Financial Leasing	100,000,000	2020-05-20	2020-08-20
Qingyin Financial Leasing	50,000,000	2020-05-29	2020-08-28
	<u>3,161,429,172</u>		

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

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

#### (c) Finance lease and capital loans (Continued)

*Obtaining factoring loan –*

	<b>Amount (Unaudited)</b>	<b>Starting date (Unaudited)</b>	<b>Due Date (Unaudited)</b>
QDP Commercial Insurance	<u>13,867,000</u>	2020-02-28	2020-03-10

*Interest income from borrowings and finance leases*

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
QQCTN	20,797,340	14,820,966
QDOT	13,777,107	569,057
QQCTU	12,162,353	4,079,697
QQCT	5,601,861	5,001,690
Weihai Port	5,551,376	–
Qingdao Leasing	4,337,867	31,085,055
QDP Investment Group	3,385,388	–
QQCTUA	1,265,764	39,210
Weihai Port Group	1,025,943	–
Other related parties	2,439,200	2,548,866
	<u>70,344,199</u>	<u>58,144,541</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

#### (c) Finance lease and capital loans (Continued)

*Interest expenses for deposits from customers and funds borrowed –*

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Qingdao Port Group	4,844,468	6,543,935
QQCT	4,285,246	6,242,236
Qingdao Financial Controlling QQCTI	3,702,347	2,009,378
Qingdao Shihua	2,436,119	1,110,102
QDP Investment Group	1,969,152	2,810,016
Dongjiakou IMC Logistics	1,683,771	329,523
QQCTN	1,185,304	91,306
QQCTU	764,685	1,717,596
West United	737,440	126,113
QQCTUA	441,516	230,329
QDP Commercial Insurance	440,803	180,764
Other related parties	131,449	975,174
	<u>2,452,567</u>	<u>2,420,447</u>
	<u>25,074,867</u>	<u>24,786,919</u>
<b>(d) Purchase of assets</b>	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
QDP Investment Real Estate	<u>4,200,000</u>	<u>–</u>
<b>(e) Remuneration of key management</b>	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Remuneration of key management	<u>5,183,585</u>	<u>5,557,054</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

#### (f) Other related party transactions

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

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Funds received under the entrustment of related parties –		
QQCT	161,477,994	277,925,769
QQCTU	75,768,369	121,218,124
QQCTN	22,694,980	18,692,625
QQCTUA	16,611,665	18,503,450
	<u>276,553,008</u>	<u>436,339,968</u>
Funds paid to related parties –		
QQCT	169,943,087	287,471,044
QQCTU	82,916,653	132,598,809
QQCTN	21,560,668	18,967,539
QQCTUA	17,394,642	18,583,883
	<u>291,815,050</u>	<u>457,621,275</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

#### (f) Other related party transactions (Continued)

(ii) Harbour dues, port facility and security expenses received by related parties on behalf of the Company

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Qingdao Shihua	53,997,011	66,760,879
QQCT	27,466,936	37,788,289
QQCTU	10,946,441	12,333,400
QDOT	8,801,499	898,427
QQCTN	5,234,623	5,216,910
QQCTUA	2,831,766	2,912,882
West United	2,788,922	3,515,947
	<u>112,067,198</u>	<u>129,426,734</u>

Related parties such as Qingdao Shihua and QQCT charge customers for port charges, berthing fees, and security fees for the cargo and submit them to the Company in accordance with the agreed ratio.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

#### (f) Other related party transactions (Continued)

(iii) Accept the commission payment of related parties

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
QDOT	38,091,000	34,850,949
QQCT	20,875,125	29,716,426
QQCTU	17,702,541	14,295,954
West United	8,996,419	12,595,994
Qingdao Shihua	6,684,295	12,695,228
QQCTN	5,389,920	8,258,826
Evergreen Container	2,791,550	2,007,489
Fuwai Hospital	2,236,078	1,874,202
Qingdao Port Group	1,950,314	3,660,571
Orient Container	1,912,736	1,268,504
QHVTC	1,437,119	3,398,273
Other related parties	5,831,917	4,854,148
	<b>113,899,014</b>	<b>129,476,564</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

#### (f) Other related party transactions (Continued)

##### (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.

For the six months ended 30 June 2020, the Group paid RMB330,163 to the retired and retired employees on behalf of Qingdao Port Group (For the six months ended 30 June 2019: The Group did not pay early retirement and supplemental retirement benefits). As at 30 June 2020, a total amount of RMB16,478,052 had been paid.

##### (v) 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).

##### (vi) Disposal of subsidiary

For the six months ended 30 June 2020, the Company and its subsidiary, Qingdao Port Engineering, disposed 100% equity of Yongli Insurance to Shangang Financial Holdings. For relevant disclosure, please refer to Note 5(2).

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

#### (a) Notes receivable

	30 June 2020 (Unaudited)		31 December 2019	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QDOT	21,000,000	(1,050,000)	36,566,268	(1,828,313)
West United	10,245,614	(512,281)	9,618,590	(480,929)
QDP Investing Group	3,899,842	(194,992)	9,301,058	(465,053)
QQCTN	-	-	5,016,400	(250,820)
Fuwai Hospital	-	-	1,336,910	(66,845)
	<u>35,145,456</u>	<u>(1,757,273)</u>	<u>61,839,226</u>	<u>(3,091,960)</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

#### (b) Accounts receivable

	30 June 2020 (Unaudited)		31 December 2019	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QQCTN	505,472,320	(28,416,872)	588,293,283	(29,456,590)
QDOT	390,686,897	(19,539,970)	294,119,761	(17,608,651)
QDP Investment Group	125,460,647	(11,808,410)	126,028,386	(6,301,419)
Qingdao Port Group	123,560,469	(6,201,959)	130,880,131	(6,591,531)
QQCT	120,757,882	(6,000,281)	26,201,055	(1,350,609)
QQCTU	100,615,740	(5,034,353)	68,616,852	(3,437,735)
West United	27,359,597	(1,370,180)	32,745,054	(1,638,303)
Dongjiakou Railway	21,246,908	(1,062,345)	21,243,469	(1,062,173)
Qingdao Shihua	19,983,268	(999,163)	9,897,525	(503,343)
Haiwan Liquid Chemical	19,385,377	(1,883,287)	19,106,877	(1,860,490)
Qingwei Container	16,618,000	(830,900)	19,000	(950)
Dongjiakou IMC logistics	14,850,321	(742,516)	14,394,187	(719,709)
Qingdao Leasing	14,400,000	(720,000)	14,400,000	(720,000)
QQCTUA	13,840,906	(694,018)	7,942,281	(399,086)
QDP Investment Real Estate	11,837,657	(22,725)	11,560,618	(1,147,188)
Ocean & Great Asia	8,335,352	(416,768)	7,074,425	(353,721)
QHVTC	7,744,753	(387,238)	10,372,550	(518,627)
Shenzhouxing Cargo Agency	6,547,373	(327,369)	9,322,198	(466,110)
Lianhai Logistics	5,143,239	(257,162)	9,667,136	(483,357)
Evergreen Container	4,738,655	(236,933)	2,836,777	(141,839)
Huaneng Qingdao	4,582,552	(113,269)	11,588,257	(1,158,350)
Orient Container	3,451,512	(172,576)	4,296,225	(214,811)
Ocean Bridge International	3,222,412	(322,241)	3,222,412	(161,121)
COSCO Shipping Container Transport	3,146,141	(157,307)	2,743,458	(137,173)
Qingdao COSCO Shipping Container Transport	2,463,696	(123,185)	2,759,956	(137,998)
Shanghai Pan-Asia Shipping	2,310,168	(115,508)	3,584,455	(179,223)
Weihai Jinfeng Freight Forwarding	1,771,790	(88,589)	1,856,640	(92,832)
OOCL	1,579,672	(78,984)	20,950	(1,048)
International Cruises	1,484,653	(74,233)	900,000	(45,000)
Lianrong Logistics	1,329,041	(66,452)	2,271,709	(113,585)
Xi'an Xintong	432,699	(21,635)	14,498,035	(724,902)
Provincial Port Group	-	-	1,294,464	(64,723)
Other related parties	5,091,986	(254,598)	5,709,050	(285,453)
	<u>1,589,451,683</u>	<u>(88,541,026)</u>	<u>1,459,467,176</u>	<u>(78,077,650)</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

#### (c) Contract assets

	30 June 2020 (Unaudited)		31 December 2019	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QQCTN	12,633,011	(631,651)	54,437,883	(3,104,490)
QDOT	10,718,233	(535,912)	62,131,701	(3,853,462)
QDP Investment Group	10,481,159	(524,058)	25,420,255	(1,979,119)
West United	4,786,773	(239,339)	2,459,807	(171,139)
QDP Port Group	3,706,158	(185,308)	7,742,173	(426,754)
QQCT	2,158,002	(107,900)	24,841,373	(1,242,069)
Haiwan Liquid Chemical	1,745,491	(87,275)	1,354,767	(68,813)
Qingdao Shihua	1,700,046	(85,002)	3,613,718	(180,686)
Evergreen Container	75,700	(3,785)	550,866	(27,543)
Other related parties	2,335,655	(116,781)	2,196,167	(205,006)
	<b>50,340,228</b>	<b>(2,517,011)</b>	<b>184,748,710</b>	<b>(11,259,081)</b>

#### (d) Advances to suppliers

	30 June 2020 (Unaudited)	31 December 2019
West United	4,624,362	6,580,550
Qingdao COSCO Shipping Container Transport	832,953	618,675
Qingdao Ocean Shipping Agency	750,668	52,401
Qingdao Shihua	-	3,835,256
Huaneng Qingdao	-	1,195,772
Other related parties	607,276	295,562
	<b>6,815,259</b>	<b>12,578,216</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

#### (e) Other receivables

*Dividends receivable –*

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
QQCT	817,783,089	–
Ganghai Logistics	8,775,255	–
	<u>826,558,344</u>	<u>–</u>

*Ending balance of short-term loans provided –*

	<u>30 June 2020 (Unaudited)</u>		<u>31 December 2019</u>	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QDP Investment Group	901,027,428	(21,669,937)	–	–
Weihai Port Group	300,362,500	(7,223,794)	–	–
QDOT	168,203,000	(1,781,522)	292,388,117	(5,119,580)
Qingyin Financial Leasing	150,464,167	(683,626)	–	–
QQCTN	85,407,720	(1,762,776)	101,652,800	(1,311,830)
West United	–	–	49,065,129	(713,458)
	<u>1,605,464,815</u>	<u>(33,121,655)</u>	<u>443,106,046</u>	<u>(7,144,868)</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

#### (e) Other receivables (Continued)

Other –

	30 June 2020 (Unaudited)		31 December 2019	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QDOT	69,565,191	(3,478,260)	34,661,842	(1,733,092)
Shangang Financial Holdings	60,528,700	–	–	–
QQCT	20,301,926	(1,015,096)	3,476,325	(214,084)
West United	10,474,529	(523,726)	4,360,929	(218,046)
QQCTU	7,397,009	(369,850)	8,317,868	(421,783)
Qingdao Shihua	3,892,523	(194,626)	373,138	(18,657)
Lianhai Logistic	3,439,742	(171,987)	263,351	(13,168)
Ganghai Logistics	2,367,972	(118,399)	1,432,246	(71,612)
QQCTN	1,810,562	(90,528)	2,113,362	(105,668)
International Cruises	872,116	(43,606)	–	–
QQCTUA	852,696	(42,635)	1,237,400	(61,870)
Xi'anXintong	534,920	(26,746)	167,284	(8,364)
Haiwan Liquid Chemical	484,746	(24,237)	81,748	(4,087)
China Shipping Agency	456,000	(22,800)	–	–
Binzhou Port QDP International Terminal	431,267	(21,563)	–	–
Other related parties	4,376,631	(3,243,770)	4,651,449	(232,574)
	<b>187,786,530</b>	<b>(9,387,829)</b>	<b>61,136,942</b>	<b>(3,103,005)</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

#### (f) Long-term receivables

	30 June 2020 (Unaudited)		31 December 2019	
	Amount	Provision for bad debts	Amount	Provision for bad debts
QQCTN	860,715,768	(20,219,832)	788,379,448	(20,022,856)
QQCTU	652,609,948	(12,894,899)	338,590,715	(8,600,557)
QDOT	550,742,078	(10,882,175)	-	-
QQCT	422,536,779	(11,017,925)	222,322,208	(5,865,889)
Weihai Port	399,025,799	(10,404,861)	169,746,010	(4,311,725)
QQCTUA	81,207,007	(2,117,526)	77,612,482	(1,971,437)
Fuwai Hospital	76,600,938	(3,804,306)	39,707,548	(1,008,613)
PetroChina Storage	16,512,858	(420,554)	-	-
Qingdao Leasing	-	-	389,439,426	(9,631,108)
	<u>3,059,951,175</u>	<u>(71,762,078)</u>	<u>2,025,797,837</u>	<u>(51,412,185)</u>

#### (g) Short-term borrowings

	30 June 2020 (Unaudited)	31 December 2019
QDP Commercial Insurance	-	6,991,684

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

#### (h) Accounts payable

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
West United	20,935,687	1,734,709
QDP Investment Group	12,653,943	13,937,879
China Shipbuilding Qingdao	7,038,925	–
QQCTU	4,678,282	6,054,857
Qingdao Port Group	3,334,276	3,795
Huaneng Qingdao	2,934,000	–
QQCT	2,020,996	1,749,915
QDP Investment Real Estate	1,189,530	1,134,936
Evergreen Container	1,079,179	1,803,665
Qingdao Ocean Shipping Agency	1,048,823	1,168,251
QDOT	820,587	5,037,408
Dongjiakou Sinotrans Logistics	566,667	566,667
Shanghai Pan-Asia Shipping	184,233	2,467,032
Shihua Qingdao	131,500	5,136,664
Other related parties	2,424,684	2,968,367
	<b>61,041,312</b>	<b>43,764,145</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

#### (i) Advances from customers

	30 June 2020 (Unaudited)	31 December 2019
Qingdao Shihua	20,000,000	18,886
Evergreen Container	11,671,784	-
QDOT	8,055,000	-
Orient Container	4,046,607	-
QQCTN	4,364,521	-
QQCT	482,182	610,195
Other related parties	621,630	604,955
	<u>49,241,724</u>	<u>1,234,036</u>

#### (j) Contract Liabilities

	30 June 2020 (Unaudited)	31 December 2019
QQCTN	26,191,968	-
QQCT	4,821,818	80,623,049
Qingdao Port Group	2,103,167	2,103,167
Qingdao Ocean Shipping Agency	1,432,960	853,806
Other related parties	2,033,614	1,841,803
	<u>36,583,527</u>	<u>85,421,825</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

#### (k) Other payables

*Ending balance of money deposits –*

	30 June 2020 (Unaudited)	31 December 2019
Qingdao Port Group	1,769,527,019	131,791,929
Shangang Financial Controlling	1,301,917,058	1,036,478,976
QQCT	1,074,339,300	223,383,392
Qingdao Shihua	781,523,871	821,019,457
QQCTU	340,486,954	79,875,009
QQCTN	131,693,183	78,515,453
QQCTUA	105,823,611	50,607,266
Dongjiakou IMC Logistics	96,471,631	182,043,341
West United	69,852,622	79,677,114
Weihai Port	54,640,702	514,622
Assets Management Company	54,256,501	20,064,643
Beijing Zhonggang Jinyuan	48,867,547	–
Insurance Brokerage	47,763,331	4,223,724
Qingdao Leasing	33,070,715	20,791,597
Lianhai Logistics	30,736,043	25,955,010
QD International Cruise	30,633,000	17,561,089
QD Cruise Port Development	28,620,989	31,115,228
Fuwai Hospital	25,714,069	63,764,090
QDOT	24,973,965	23,183,985
Qingdao Port Travel Agency	22,345,863	17,678,268
Qingwei Container	21,891,999	3,638
Ganghai Logistics	19,154,184	85,973,801
Haiwan Liquid Chemicals	18,848,903	18,911,561
Orient Container	17,321,432	17,157,233
Evergreen Container	17,038,307	17,417,001
Yongli Insurance	15,693,816	–
Lianrong Logistics	13,773,346	11,731,501
Weihai Shichang Logistics	13,367,123	–
QDP Investment Group	12,267,722	642,310,860
Weihai Shichang Liquor Industry	12,109,882	–
Weihai Gangfeng Shipping Agency	11,945,752	–
Weihai Port International Logistics	11,735,648	–
Shandong Port Supply Chain	10,018,550	–
QDP Commercial Insurance	8,459,728	34,435,745
Weihai International Logistics Park	6,547,604	–
Weihai Gangtong Technology	6,406,725	–
Finance Guarantee	2,046,798	300,689,314
QQCTI	–	694,414,004
Other related parties	34,321,231	43,093,420
	<b>6,326,206,724</b>	<b>4,774,382,271</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

#### (k) Other payables (Continued)

Other –

	30 June 2020 (Unaudited)	31 December 2019
QDP Investment Group	18,952,751	17,547,450
QQCT	7,592,105	15,891,033
QQCTN	2,503,627	1,358,353
QQCTU	2,039,725	7,926,312
Ocean & Great Asia	933,806	1,547,868
QQCTUA	622,712	1,355,292
Evergreen Container	200,707	1,083,002
QDOT	54,028	3,310,161
Other related parties	2,274,098	3,345,209
	<u>35,173,559</u>	<u>53,364,680</u>
	<u>6,361,380,283</u>	<u>4,827,746,951</u>

#### (l) Other non-current liabilities

	30 June 2020 (Unaudited)	31 December 2019
QQCT	2,717,061,497	2,815,772,185
QQCTN	49,119,330	50,378,800
QQCTU	14,322,593	14,927,773
	<u>2,780,503,420</u>	<u>2,881,078,758</u>

#### (m) Lease liabilities

	30 June 2020 (Unaudited)	31 December 2019
Qingdao Leasing	<u>336,648,818</u>	<u>438,267,872</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (7) Operating lease receipts after the balance sheet date

According to the signed irrevocable operating lease contract, in addition to the operating lease out commitments mentioned in Note 4(30), the Group's future collection of related party rents is summarized as follows:

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
QQCT	<b>317,906,148</b>	329,456,000
Evergreen Container	<b>106,128,285</b>	5,687,500
QQCTU	<b>106,126,700</b>	110,640,000
QQCTN	<b>36,887,378</b>	14,760,000
QQCTUA	<b>21,122,500</b>	21,960,000
Qingdao Shihua	<b>20,063,400</b>	22,500
Ganghai Logistics	<b>7,117,540</b>	–
QDOT	<b>6,211,000</b>	–
Orient Container	<b>3,995,800</b>	–
Lianrong Logis	<b>2,543,900</b>	–
Binzhou Port QDP International Terminal	–	40,608,000
Other related parties	<b>1,543,832</b>	297,750
	<b><u>629,646,483</u></b>	<b><u>523,431,750</u></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 six months ended 30 June 2020, principal of new entrusted loan business offered by Qingdao Finance amounts to RMB2,750,000,000 (For the six months ended 30 June 2019: RMB1,171,000,000). As at 30 June 2020, entrusted loans amounted to RMB5,163,000,000 (As at 31 December 2019: RMB3,108,000,000). 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 six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 9 OTHER EVENTS

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

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

The above involved cargoes were stored at QDP Relevant Parties under the name of Hongtu Logistics, and have been detained by the Public Security Authority due to Hongtu Logistics’ suspected involvement in criminal activities, and Hongtu Logistics were under a fraud investigation by the Public Security Authority as well. On 25 April 2019, the Court made the final judgement for the “Litigation I”, QDP Relevant Parties do not need to bear any responsibility, 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 enough 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 six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 10 COMMITMENTS

### (1) Capital commitments

Capital expenditures contracted for by the Group at the balance sheet date but are not yet necessary to be recognized on the balance sheet are as follows:

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
Port facilities and others	<u><b>1,099,526,787</b></u>	<u>554,444,933</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 30 June 2020, 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 EUR 1,745,370 and The share ratio increased to the Vado Investment Company by EUR 14,077,800, with a total commitment of EUR 15,823,170. As at 30 June 2020, the amount of the unpaid investment was EUR 5,692,870.

The Company’s subsidiary Technology Company and Qingdao Non-vehicle Operating Common Carrier Service Centre 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 30 June 2020, 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 six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 10 COMMITMENTS (Continued)

### (3) Credit commitments

As at 30 June 2020, 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 RMB149,076,797 in total (31 December 2019: RMB195,136,417). 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 ensure that the project will be completed in time with required quality as set out in the contract. As at 30 June 2020, Qingdao Finance issued letter of guarantee with the amount of approximately RMB61,841,350 (31 December 2019: RMB51,514,350) 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's futures delivery warehousing business is about RMB3.3 billion. As at 30 June 2020, the value of stocks for rubber, pulp and No. 20 standard rubber futures was RMB480 million.

## 11 OPERATING LEASE RECEIPTS AFTER THE BALANCE SHEET DATE

The Group's future rent collection without discounting is summarized as follows:

	30 June 2020 (Unaudited)	31 December 2019
Within 1 year	110,075,851	57,302,027
1 to 2 years	55,043,636	44,593,195
2 to 3 years	53,794,144	44,322,402
3 to 4 years	47,819,559	43,699,365
4 to 5 years	46,952,559	43,464,253
More than 5 years	342,220,780	313,220,500
	<u>655,906,529</u>	<u>546,601,742</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 12 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 30 June 2020 the Group did not sign forward foreign exchange contracts or currency swap contracts.

As at 30 June 2020 and 31 December 2019, the carrying amounts in RMB equivalent of the Group's financial assets, financial liabilities and lease liabilities denominated in foreign currencies and recorded in RMB are summarized below:

	30 June 2020 (Unaudited)			Total
	USD	EUR	Others	
Financial assets denominated in foreign currency –				
Cash at bank and on hand	750,683,037	199,668	14,395	750,897,100
Receivables	387,294,347	479,873	288,925	388,063,145
	<u>1,137,977,384</u>	<u>679,541</u>	<u>303,320</u>	<u>1,138,960,245</u>
Financial liabilities denominated in foreign currency –				
Payables	(68,210,141)	-	(96,152)	(68,306,293)
Short-term borrowings	(224,948,982)	-	-	(224,948,982)
Long-term borrowings	-	(75,632,301)	-	(75,632,301)
	<u>(293,159,123)</u>	<u>(75,632,301)</u>	<u>(96,152)</u>	<u>(368,887,576)</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 12 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

### (1) Market risk (Continued)

#### (a) Foreign exchange risk (Continued)

	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>

As at 30 June 2020, if RMB had strengthened/weakened by 4% against the USD while all other variables had been held constant, the Group's net profit for the period would have been approximately RMB25,345,000 (31 December 2019: approximately RMB35,806,000) 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 30 June 2020, 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 period would have been approximately RMB2,249,000 (31 December 2019: RMB2,391,000) 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 12 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

### (1) Market risk (Continued)

#### (b) Interest rate risk

The Group's interest rate risk arises from cash at bank and on hand, loans provided to related parties and third parties, customer deposits at Qingdao Finance, bank borrowings, bonds payable. Except for certain cash at bank and on hand, certain customer deposits at Qingdao Finance, 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 30 June 2020, the Group's interest bearing liabilities included customer deposits at Qingdao Finance of RMB6,324,806,658 (Note 4(24)), among which RMB5,730,084,769 was subject to floating interest rate and the remaining are subject to fixed interest rate; bonds payable of RMB2,116,900,000 (Note 4(26)) was subject to fixed interest rate; and bank borrowings of RMB395,241,970 (Note 4(18), (25)), among which RMB72,160,687 was subject to floating rates and the remaining are subject to fixed interest rate.

As at 30 June 2020, the Group's interest bearing assets included cash at bank and on hand of RMB9,835,245,776 (Note 4(1)), among which RMB7,134,538,396 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 RMB4,793,855,134 (Note 4(5), (7)), among which RMB1,635,254,022 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 negative effect on the Group's financial results. The management makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. For the six months ended 30 June 2020, the Group did not enter into any interest rate swap agreements (For the six months ended 30 June 2019: nil).

As at 30 June 2020, 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 RMB271,000 (31 December 2019: approximately RMB320,000).

As at 30 June 2020, if interest rates on cash at bank and on hand, loans provided to related parties and customer deposits at Qingdao Finance subject to the floating rate borrowings for the period ended 30 June 2020 had risen/fallen by 8% while all other variables had been held constant, the Group's net profit would have increased/decreased by approximately RMB3,299,000 (31 December 2019: approximately RMB2,121,000).



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 12 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

### (1) Market risk (Continued)

#### (c) Other price risks

The Group's other price risks mainly arise from all kinds of equity instrument investments, with risk of changes in the price of equity instruments.

As at 30 June 2020, 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 2019: 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 Qingdao Port Logistics futures delivery warehouse business mentioned in Note 10(3), the maximum credit risk exposure outside the balance sheet is the maximum amount of RMB210,918,147 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 considering 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 30 June 2020, 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 six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 12 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 analyzed by their maturity date below at their undiscounted contractual cash flows:

	30 June 2020 (Unaudited)				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	249,098,184	-	-	-	249,098,184
Notes payable	821,815,865	-	-	-	821,815,865
Accounts payable	1,364,385,500	-	-	-	1,364,385,500
Other payables	9,883,941,166	-	-	-	9,883,941,166
Lease liabilities	-	72,726,971	240,510,207	10,863,511	324,100,689
Current portion of non-current liabilities	2,390,296,978	-	-	-	2,390,296,978
Long-term borrowings	4,269,621	105,509,455	17,285,489	-	127,064,565
Long-term payables	-	2,100,000	6,300,000	84,733,776	93,133,776
	<u>14,713,807,314</u>	<u>180,336,426</u>	<u>264,095,696</u>	<u>95,597,287</u>	<u>15,253,836,723</u>
	31 December 2019				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
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>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 12 FINANCIAL INSTRUMENTS AND ASSOCIATED RISK (Continued)

### (3) Liquidity risk (Continued)

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.

Bank borrowings and bonds payable are analyzed by repayment terms as follows:

	30 June 2020 (Unaudited)		31 December 2019	
	Bank borrowings	Bonds payable	Bank borrowings	Bonds payable
Within 1 year	277,889,000	2,134,505,554	156,308,589	-
1 to 2 years	102,062,301	-	30,430,000	2,116,900,000
2 to 5 years	16,820,687	-	102,452,988	-
	<u>396,771,988</u>	<u>2,134,505,554</u>	<u>289,191,577</u>	<u>2,116,900,000</u>

## 13 FAIR VALUE ESTIMATES

The level of fair value measurement is determined by the lowest level of inputs which has significant impact on fair value management:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 13 FAIR VALUE ESTIMATES (Continued)

### (1) Assets and liabilities measured at fair value on a recurring basis

As at 30 June 2020, the assets measured at fair value on a recurring basis are listed below at the 3 levels above (Unaudited):

	Level 1	Level 3	Total
Financial assets			
Financial assets held for sale -			
Non-principal-guaranteed floating income wealth management products	203,148,643	807,000,000	1,010,148,643
Financing receivables -			
Notes receivable	-	470,946,523	470,946,523
Other current assets -			
Interbank deposit certificate	198,308,000	-	198,308,000
Other non-current financial assets -			
Financial bond	498,619,830	-	498,619,830
Equity investment	-	72,207,877	72,207,877
Total	<u>900,076,473</u>	<u>1,350,154,400</u>	<u>2,250,230,873</u>

As at 31 December 2019, the assets measured at fair value on a recurring basis are listed below at the 3 levels above:

	Level 1	Level 3	Total
Financial 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 six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 13 FAIR VALUE ESTIMATES (Continued)

### (1) Assets and liabilities measured at fair value on a recurring basis (Continued)

The Group has no recurring 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 period.

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.

Changes of the above Level 3 financial assets are analyzed below:

	31 December 2019	Purchase (Unaudited)	Sale (Unaudited)	Settle (Unaudited)	30 June 2020 (Unaudited)	The total profit of the current period is included in the profit and loss (a) (Unaudited)
Financial assets						
Financial assets held for sale –						
Non-principal-guaranteed floating income wealth management products	700,000,000	972,000,000	(865,000,000)	-	807,000,000	9,600,372
Financing receivables –						
Notes receivable	705,149,454	981,268,910	(741,512,763)	(473,959,078)	470,946,523	(1,273,168)
Other non-current financial assets –						
Equity investment	72,207,877	-	-	-	72,207,877	19,500
Non-principal-guaranteed floating income wealth management products	-	-	-	-	-	-
<b>Total</b>	<b>1,477,357,331</b>	<b>1,953,268,910</b>	<b>(1,606,512,763)</b>	<b>(473,959,078)</b>	<b>1,350,154,400</b>	<b>8,346,704</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 13 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 analyzed below: (Continued)

	31 December 2018	Purchase (Unaudited)	Sale (Unaudited)	Settle (Unaudited)	30 June 2019 (Unaudited)	The total profit of the current period is included in the profit and loss (a) (Unaudited)
Financial assets						
Financial assets held for sale –						
Non-principal-guaranteed floating income wealth management products	871,000,000	700,000,000	(615,000,000)	–	956,000,000	11,258,374
Financing receivables –						
Notes receivable	670,396,485	1,473,691,061	(1,082,600,460)	(518,309,869)	543,177,217	–
Other non-current financial assets –						
Equity investment	72,207,877	–	–	–	72,207,877	29,250
Non-principal-guaranteed floating income wealth management products	61,000,000	–	(61,000,000)	–	–	1,824,986
<b>Total</b>	<b>1,674,604,362</b>	<b>2,173,691,061</b>	<b>(1,758,600,460)</b>	<b>(518,309,869)</b>	<b>1,571,385,094</b>	<b>13,112,610</b>

(a) Gains or losses included in the current profit and loss are included in the income statement, such as changes in fair value, investment income, etc.

(b) As at 30 June 2020, the Company's Level 3 financial assets are mainly bank wealth management products, notes receivable and equity instruments. The valuation methods are expected return method, market comparable company method, etc. Its unobservable inputs are its expected rate of return, EBITDA multiplier, and discounts for lack of liquidity. 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 accounts receivable, other receivables, debt investments, long-term receivables, short-term borrowings, notes payable and accounts payables, other payables, bonds payable, long-term borrowings, long-term payables, etc.

The carrying amount of the other financial assets and liabilities not measured at fair value has little difference with their fair value.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 14 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 number 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 based on the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated by interest bearing liabilities deducting cash and cash equivalents. Total capital is calculated by shareholder's equity presented in consolidated balance sheet plus net debt.

As at 30 June 2020 and 31 December 2019, the Group's gearing ratio is as follows:

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
Principal on bank borrowings (Note 4(18), (25))	<b>395,241,970</b>	289,191,577
Customer deposits at Qingdao Finance (Note 4(24))	<b>6,324,806,658</b>	4,759,108,178
Bonds payable (Note 4(26))	<b>2,116,900,000</b>	2,116,900,000
Less: Cash (Note 4(48)(c))	<b>(6,359,577,827)</b>	(3,998,246,081)
Net debt	<b>2,477,370,801</b>	3,166,953,674
Shareholders' equity	<b>34,669,952,636</b>	33,597,362,042
Total capital	<b>37,147,323,437</b>	36,764,315,716
Gearing ratio	<b>7%</b>	9%

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

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

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
Cash on hand	<b>30,000</b>	–
Cash at bank	<b>8,974,188,287</b>	8,255,276,453
Other cash balances	<b>3,448,119</b>	9,811,661
	<b><u>8,977,666,406</u></b>	<b><u>8,265,088,114</u></b>
Including: amounts deposited abroad	<b>27,198,418</b>	195,570,450

As at 30 June 2020, other monetary funds included the deposit of RMB2,112,798 (31 December 2019: RMB8,476,340) deposited by the Company in the bank for the issuance of acceptance bills and the deposit of RMB1,335,321 (31 December 2019: RMB1,335,321) deposited by the Company in the bank for the application for letter of credit.

As at 30 June 2020, RMB4,617,663,581 (31 December 2019: RMB6,027,363,445) bank deposits of the Company were deposited in Qingdao Finance, a subsidiary of the Company.

### (2) Accounts receivable

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
Accounts receivable	<b>1,331,412,815</b>	1,048,696,054
Less: Provision for bad debts	<b>(65,968,813)</b>	(52,250,286)
	<b><u>1,265,444,002</u></b>	<b><u>996,445,768</u></b>

The Company's businesses are partially settled by cash, advances from customers, bank acceptance notes and trade acceptance notes. The remains are settled mainly by providing credit terms of 90 days.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (2) Accounts receivable (Continued)

(a) The age of receivables by the recording date are as follows:

	30 June 2020 (Unaudited)	31 December 2019
Within 1 year	1,244,109,528	1,004,725,899
1 to 2 years	71,964,487	41,390,001
2 to 3 years	12,758,646	–
3 to 4 years	–	–
4 to 5 years	1,195,671	1,195,671
Over 5 years	1,384,483	1,384,483
	<u>1,331,412,815</u>	<u>1,048,696,054</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 30 June 2020, the total amount of top five accounts receivable is analyzed as follows:

	Amount	Provision for bad debts	proportion of total accounts receivable balance
Total amount of top five accounts receivable	<u>593,419,627</u>	<u>(29,670,981)</u>	<u>44.57%</u>

(c) As at 30 June 2020 and 31 December 2019, the Group had no accounts receivable derecognized due to financial assets transfer.



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (2) Accounts receivable (Continued)

#### (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 analyzed by category as follows:

	30 June 2020 (Unaudited)			
	Ending balance		Provision for bad debts	
	Amount	proportion of total balance	Amount	Lifetime ECL rate
Bad debt provision on the individual basis (i)	1,195,671	0.09%	(1,195,671)	100.00%
Bad debt provision on the grouping basis				
Group A	145,293,312	10.91%	-	-
Group B (ii)	1,184,923,832	89.00%	(64,773,142)	5.47%
	<u>1,331,412,815</u>	<u>100.00%</u>	<u>(65,968,813)</u>	
	31 December 2019			
	Ending balance		Provision for bad debts	
	Amount	proportion 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 B (ii)	964,807,180	92.00%	(51,054,615)	5.29%
	<u>1,048,696,054</u>	<u>100.00%</u>	<u>(52,250,286)</u>	

- (i) The Company has made full provision for accounts receivables of RMB1,195,671 due to Haikou Nanqing because this company has declared bankruptcy and the Company believes that the above receivables are difficult to recover.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (2) Accounts receivable (Continued)

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

- (ii) Accounts receivable for which the related provision for bad debts is provided on the grouping basis are analyzed as follows:

	30 June 2020 (Unaudited)		
	Ending balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Within 1 year	1,113,811,387	4.26%	(47,398,131)
1 to 2 years	68,222,281	22.49%	(15,343,191)
Over 2 years	2,890,164	70.30%	(2,031,820)
	<u>1,184,923,832</u>		<u>(64,773,142)</u>
	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>

- (iii) For the six months ended on 30 June 2020, the provision for bad debts in the current period amounted to RMB13,718,527, and there are no reversal or written off of the Company's provision for bad debts for the current period.

- (e) As at 30 June 2020 and 31 December 2019, the Company has no pledge of accounts receivable.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (3) Financing receivables

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
Bank acceptance notes	<u><b>249,510,935</b></u>	<u>451,458,292</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 30 June 2020 and 31 December 2019, the Company had no pledged acceptance notes.

(c) As at 30 June 2020, the bank acceptance notes that the Company has discounted or endorsed but have not yet expired amounted to RMB334,297,891 (31 December 2019: RMB576,700,923) and has been derecognized.

### (4) Other receivables

	<b>30 June 2020 (Unaudited)</b>	31 December 2019
Dividends receivable	<b>834,383,344</b>	–
Provide entrusted loans to subsidiaries	<b>260,328,884</b>	430,385,271
Port construction fees receivable	<b>66,791,968</b>	57,149,733
Equity transfer receivable	<b>54,475,830</b>	–
Construction expenditures paid on behalf of subsidiaries	<b>29,999,957</b>	29,999,957
Receivable subsidiary rental fee	<b>29,626,728</b>	13,285,491
Interest receivable	<b>26,273,138</b>	32,346,874
Deposits and guarantees	<b>9,464,854</b>	3,511,945
Others	<b>10,703,569</b>	19,766,071
	<u><b>1,322,048,272</b></u>	<u>586,445,342</u>
Less: Provision for bad debts	<b>(6,116,608)</b>	(4,581,427)
	<u><b>1,315,931,664</b></u>	<u>581,863,915</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (4) Other receivables (Continued)

(a) The age of other receivables is as follows:

	30 June 2020 (Unaudited)	31 December 2019
Within 1 year	1,287,940,277	550,663,121
1 to 2 years	33,216,436	34,875,762
2 to 3 years	2,500	774,945
Over 3 years	889,059	131,514
	<u>1,322,048,272</u>	<u>586,445,342</u>

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

	Stage 1	
	ECL over the next 12 months (on the grouping basis)	
	Amount	Provision for bad debts
31 December 2019	586,445,342	(4,581,427)
Increase in the current period (Unaudited)	735,602,930	(1,535,181)
	<u>1,322,048,272</u>	<u>(6,116,608)</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (4) Other receivables (Continued)

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

As at 30 June 2020 and 31 December 2019, the Company did not have other receivables with bad debt provision on the individual basis, and other receivables with bad debt provision on the grouping basis are in the first stage. The analysis is as follows:

	30 June 2020 (Unaudited)			31 December 2019		
	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	283,497,195	-	-	444,915,187	-	-
Over 1 year	30,000,057	-	-	29,999,957	-	-
Group C						
Within 1 year	859,746,923	-	-	31,102,449	-	-
Group D						
Within 1 year	144,696,159	(4,511,016)	3.12%	74,645,485	(3,732,274)	5.00%
Over 1 year	4,107,938	(1,605,592)	39.09%	5,782,264	(849,153)	14.69%
	<u>1,322,048,272</u>	<u>(6,116,608)</u>		<u>586,445,342</u>	<u>(4,581,427)</u>	

- (c) For the six months ended 30 June 2020, the amount of bad debt provision was RMB1,535,181, which was reversed for bad debt provision made on the grouping basis. The Company has no significant other receivables reversal or written off for the period.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (4) Other receivables (Continued)

(d) As at 30 June 2020, top five other receivables are analyzed as follows:

	Nature	Amount	Ageing	proportion of total	Provision for bad debts
QQCT	Dividends receivable and rent	823,837,688	Within 1 year	62.32%	(302,730)
Mercuria Logistics	Construction expenditures paid on behalf of others and entrusted loans	289,999,957	Within 2 year	21.94%	-
QDOT	Port construction fees	55,756,217	Within 1 year	4.22%	(2,787,811)
Shangang Financial Holdings	Equity transfer receivable	54,475,830	Within 1 year	4.12%	-
Lianjie Logistics	Rent	12,242,150	Within 1 year	0.93%	-
		<u>1,236,311,842</u>		<u>93.53%</u>	<u>(3,090,541)</u>

(e) As at 30 June 2020 and 31 December 2019, the Company did not have government grants recognized in accordance with the amount receivable.

(f) As at 30 June 2020 and 31 December 2019, Other receivables were not pledged by the Company.

### (5) Long-term receivables

	30 June 2020 (Unaudited)	31 December 2019
Loans provided to subsidiaries	2,230,609,463	2,266,179,235
Loans provided to other related parties	-	222,322,208
Less: Current portion of loans	<u>(322,609,463)</u>	<u>(630,501,443)</u>
	<u>1,908,000,000</u>	<u>1,858,000,000</u>
Provision for loan impairment	-	(5,865,889)
Less: Current portion of provision for loan impairment	-	5,865,889
	-	-
	<u>1,908,000,000</u>	<u>1,858,000,000</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 15 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 (on the grouping basis)	
	Amount	Provision for bad debt
31 December 2019	2,488,501,443	(5,865,889)
Reverse in the current period (Unaudited)	(257,891,980)	5,865,889
30 June 2020 (Unaudited)	<u>2,230,609,463</u>	<u>-</u>

As at 30 June 2020 and 31 December 2019, the Group did not have any long-term receivables with bad debt provision on the individual basis, and other long-term receivables with bad debt provision on the grouping basis are in the first stage. The analysis is as follows:

	30 June 2020 (Unaudited)			31 December 2019		
	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	2,230,609,463	-	-	2,266,179,235	-	-
Group A						
Within 1 year	-	-	-	222,322,208	(5,865,889)	2.64%
	<u>2,230,609,463</u>	<u>-</u>		<u>2,488,501,443</u>	<u>(5,865,889)</u>	

### (6) Long-term equity investments

	30 June 2020 (Unaudited)	31 December 2019
Subsidiaries (a)	4,868,306,745	4,361,956,253
Joint ventures (b)	9,289,211,035	9,525,980,561
Associates (c)	109,875,389	103,584,420
	<u>14,267,393,169</u>	<u>13,991,521,234</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

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

#### (a) Subsidiaries

	31 December 2019	Increase in investment (Unaudited)	Decrease in investment (Unaudited)	30 June 2020 (Unaudited)	Profit declared in the current period (Unaudited)
Yongli Insurance	7,866,558	-	(7,866,558)	-	-
Qingdao Port Logistics	257,374,925	-	-	257,374,925	500,000,000
GLS Shipping	23,580,830	-	-	23,580,830	-
Ocean Shipping Repair	3,666,959	-	-	3,666,959	623,028
Qingdao Port Engineering	114,455,552	-	-	114,455,552	130,000,000
Ocean Shipping Tally	389,296,880	-	-	389,296,880	-
Gangjia Logistics	7,299,874	-	-	7,299,874	-
Gangrong Storage	7,952,229	-	-	7,952,229	-
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	3,000,000	-	8,000,000	15,650,000
Culture Media	3,000,000	-	-	3,000,000	82,195
International Development	40,307,042	420,267,050	-	460,574,092	-
Tongbao Shipping	20,000,000	-	-	20,000,000	2,996,894
DMT	480,000,000	-	-	480,000,000	-
Lianhua Pipeline	441,660,000	-	-	441,660,000	-
Technology Company	20,000,000	-	-	20,000,000	50,279,796
Svitzer Towage	115,500,000	-	-	115,500,000	-
Tongze Trading	10,000,000	-	-	10,000,000	9,353,378
Bonded Logistics Centre	25,458,868	-	-	25,458,868	-
Liquid Chemical Terminal	384,149,458	-	-	384,149,458	-
Tongan Security	1,000,000	-	-	1,000,000	6,696,330
Qingdong pipe	255,000,000	-	-	255,000,000	-
Tongda Oil & Gas	50,000,000	15,950,000	-	65,950,000	-
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	-
Qilu Fuhai Storage	-	75,000,000	-	75,000,000	-
	<u>4,361,956,253</u>	<u>514,217,050</u>	<u>(7,866,558)</u>	<u>4,868,306,745</u>	<u>715,681,621</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

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

#### (b) Joint ventures

	31 December 2019	Movements in the current period				30 June 2020 (Unaudited)	
		Increase in investment (Unaudited)	Share of net profit/(loss) under equity method (Unaudited)	Other equity changes (Unaudited)	Cash dividends/ profit declared (Unaudited)		Unrealized profits and losses (Unaudited)
QQCT	5,645,294,249	-	442,689,118	4,862,482	(817,783,089)	5,345,273	5,280,408,033
Qingdao Shihua	1,584,298,861	-	164,552,888	5,402,789	-	200,472	1,754,455,010
QDOT	708,853,767	-	(11,563,520)	-	-	(83,023)	697,207,224
West United	503,451,655	-	20,800,066	557,020	-	75,128	524,883,869
Qingwei Container	161,282,377	-	10,603,079	-	-	-	171,885,456
Haiwan Liquid Chemical	155,490,834	-	1,506,575	-	-	-	156,997,409
PetroChina Storage	146,688,204	-	431,141	-	-	-	147,119,345
Huaneng Qingdao	127,951,921	-	(6,345,116)	71,448	-	-	121,678,253
Dongjiakou IMC Logistics	95,371,200	-	9,536,812	-	(39,516,729)	-	65,391,283
Evergreen Container	65,707,547	-	8,787,130	244,697	-	-	74,739,374
Ganghai Logistics	102,372,863	-	(759,873)	-	(39,078,111)	-	62,534,879
United Shipping Agency	56,137,624	-	905,539	-	(1,597,314)	-	55,445,849
Dongjiakou Sinotrans Logistics	51,508,035	-	253,106	-	-	-	51,761,141
Shenzhouxing Cargo Agency	46,795,633	-	4,210,686	-	-	-	51,006,319
Orient Container	50,729,917	-	2,806,620	-	(4,647,191)	-	48,889,346
China Shipping Agency	11,862,543	-	727,892	-	-	-	12,590,435
Binzhou Port QDP International Terminal	12,183,331	-	4,507,838	1,899,858	(6,373,217)	-	12,217,810
	<u>9,525,980,561</u>	<u>-</u>	<u>653,649,981</u>	<u>13,038,294</u>	<u>(908,995,651)</u>	<u>5,537,850</u>	<u>9,289,211,035</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

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

#### (c) Associates

	31 December 2019	Movements for the current period (Unaudited)			30 June 2020 (Unaudited)
		Increase investment (Unaudited)	Share of net profit/(loss) under equity method (Unaudited)	Cash dividends/ Profit declared (Unaudited)	
Qingyin Financial Leasing	103,584,420	–	6,290,969	–	109,875,389

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 2019	270,937,410	1,491,363,206	1,762,300,616
Transfer to fixed assets (Unaudited)	(3,304,353)	–	(3,304,353)
30 June 2020 (Unaudited)	267,633,057	1,491,363,206	1,758,996,263
<b>Accumulated depreciation</b>			
31 December 2019	(63,822,835)	(209,384,212)	(273,207,047)
Increase in the current period (Unaudited)	(5,207,046)	(18,441,300)	(23,648,346)
Transfer to fixed assets (Unaudited)	929,996	–	929,996
30 June 2020 (Unaudited)	(68,099,885)	(227,825,512)	(295,925,397)
<b>Net book value</b>			
30 June 2020 (Unaudited)	199,533,172	1,263,537,694	1,463,070,866
31 December 2019	207,114,575	1,281,978,994	1,489,093,569

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (7) Investment properties (Continued)

	Buildings	Land use rights	Total
<b>Cost</b>			
31 December 2018	<u>264,377,063</u>	<u>1,290,591,224</u>	<u>1,554,968,287</u>
30 June 2019 (Unaudited)	<u>264,377,063</u>	<u>1,290,591,224</u>	<u>1,554,968,287</u>
<b>Accumulated depreciation</b>			
31 December 2018	(52,751,262)	(158,441,090)	(211,192,352)
Increase in the current period (Unaudited)	<u>(5,283,484)</u>	<u>(15,584,464)</u>	<u>(20,867,948)</u>
30 June 2019 (Unaudited)	<u>(58,034,746)</u>	<u>(174,025,554)</u>	<u>(232,060,300)</u>
<b>Net book value</b>			
30 June 2019 (Unaudited)	<u>206,342,317</u>	<u>1,116,565,670</u>	<u>1,322,907,987</u>
31 December 2018	<u>211,625,801</u>	<u>1,132,150,134</u>	<u>1,343,775,935</u>

As at 30 June 2020 and 31 December 2019, the management of the Company considered that there is no indication that the investment properties may be impaired, and therefore no provision for impairment is recorded.

For the six months ended 30 June 2020 and 30 June 2019, no capitalized borrowing cost was recognized in investment properties.

As at 30 June 2020, investment properties with the net book value of RMB5,803,440 (cost of RMB6,560,347) (31 December 2019: the net book value of RMB6,055,742 and cost of RMB6,560,347) had not obtained certificates.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (8) Fixed assets

	Buildings	Port facilities	Storage facilities	Loading equipment	Machinery and equipment	Vessels	Motor vehicles	Communication facilities	Office equipment and others	Total
Cost										
31 December 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
Increase in the current period (Unaudited)										
Transfers from construction in progress	-	122,169,426	4,114,756	-	11,796,423	-	-	-	-	138,080,605
Transfer from investment properties	3,304,353	-	-	-	-	-	-	-	-	3,304,353
Purchase in the current period	-	-	-	12,431,590	12,680,657	-	2,637,322	-	408,865	28,158,434
Decrease in the current period (Unaudited)										
Disposal and scrapping	-	(79,092)	-	(18,179,411)	(8,124,064)	(4,458,147)	(753,484)	(327,541)	(265,040)	(32,186,779)
30 June 2020 (Unaudited)	380,131,539	5,807,757,406	2,183,183,368	984,729,544	295,367,957	829,407,402	59,520,926	99,509,630	23,618,037	10,663,225,809
Accumulated depreciation										
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)
Increase in the current period (Unaudited)										
Provision	(7,414,712)	(77,581,405)	(33,849,497)	(31,064,333)	(16,086,641)	(26,764,893)	(2,340,257)	(5,075,810)	(757,318)	(200,934,866)
Transfer from investment properties	(929,996)	-	-	-	-	-	-	-	-	(929,996)
Decrease in the current period (Unaudited)										
Disposal and scrapping	-	75,928	-	17,131,555	2,962,199	4,235,240	673,048	240,097	139,039	25,457,106
30 June 2020 (Unaudited)	(76,365,637)	(1,012,917,986)	(391,820,308)	(771,507,866)	(157,434,937)	(347,796,445)	(38,147,252)	(62,967,602)	(16,537,747)	(2,875,495,780)
Net book value										
30 June 2020 (Unaudited)	303,765,902	4,794,839,420	1,791,363,060	213,221,678	137,933,020	481,610,957	21,373,674	36,542,028	7,080,290	7,787,730,029
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

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 15 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
Cost										
31 December 2018	268,011,857	5,680,411,240	2,179,068,612	924,020,223	272,801,657	831,437,948	53,914,877	93,064,659	21,833,832	10,324,564,905
Increase in the current period (Unaudited)										
Transfers from construction in progress	-	-	-	44,222,888	333,261	2,427,601	-	-	-	46,983,750
Purchase in the current period	-	-	-	9,793,481	3,577,347	-	956,208	6,324,474	486,650	21,138,160
Decrease in the current period (Unaudited)										
Disposal and scrapping	-	-	-	(2,821,960)	(2,233,022)	-	(1,102,138)	(807,500)	(5,593)	(6,970,213)
30 June 2019 (Unaudited)	268,011,857	5,680,411,240	2,179,068,612	975,214,632	274,479,243	833,865,549	53,768,947	98,581,633	22,314,889	10,385,716,602
Accumulated depreciation										
31 December 2018	(56,604,998)	(781,027,079)	(291,126,943)	(681,107,921)	(119,625,311)	(274,027,870)	(33,857,522)	(45,851,745)	(14,701,545)	(2,297,930,934)
Increase in the current period (Unaudited)										
Provision	(6,183,310)	(77,626,534)	(32,994,372)	(41,158,099)	(13,409,436)	(25,598,108)	(2,002,448)	(6,992,128)	(729,417)	(206,693,852)
Decrease in the current period (Unaudited)										
Disposal and scrapping	-	-	-	2,668,470	2,143,343	-	904,607	-	5,322	5,721,742
30 June 2019 (Unaudited)	(62,788,308)	(858,653,613)	(324,121,315)	(719,597,550)	(130,891,404)	(299,625,978)	(34,955,363)	(52,843,873)	(15,425,640)	(2,498,903,044)
Net book value										
30 June 2019 (Unaudited)	205,223,549	4,821,757,627	1,854,947,297	255,617,082	143,587,839	534,239,571	18,813,584	45,737,760	6,889,249	7,886,813,558
31 December 2018	211,406,859	4,899,384,161	1,887,941,669	242,912,302	153,176,346	557,410,078	20,057,355	47,212,914	7,132,287	8,026,633,971

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (8) Fixed assets (Continued)

As at 30 June 2020 and 31 December 2019, the Company had no fixed assets which were mortgaged.

For sixth months ended 30 June 2020, the amounts of depreciation expenses were RMB200,934,866 (For the sixth months ended 30 June 2019: RMB206,693,852) including charged to cost of sales and general and administrative expenses were RMB192,380,399 and RMB8,554,467 respectively (For the sixth months ended 30 June 2019: RMB198,417,814 and RMB8,276,038).

For sixth months ended 30 June 2020, the costs of fixed assets transferred from construction in progress amount to RMB138,080,605 (For the sixth months ended 30 June 2019: RMB46,983,750).

As at 30 June 2020 and 31 December 2019, the Company considered that there was no indication that the fixed assets may be impaired, and therefore no provision for impairment was required.

As at 30 June 2020, properties with book values of RMB172,814 (Cost: RMB193,531) (As at 31 December 2019: book values of RMB176,181 and cost of RMB193,531) and RMB109,930,841 (Cost: RMB111,697,425) (As at 31 December 2019: book values of RMB111,697,425 and cost of 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.

### (9) Construction in progress

	30 June 2020 (Unaudited)			31 December 2019		
	carrying amount	impairment provision	Net book value	carrying amount	impairment provision	Net book value
Dongjiakou stevedoring, storage and transportation projects for liquid bulk cargo	1,168,575,203	-	1,168,575,203	762,097,395	-	762,097,395
Dongjiakou bulk cargo berths and storage yard project	408,547,712	-	408,547,712	483,119,729	-	483,119,729
Other projects	98,747,768	-	98,747,768	88,636,368	-	88,636,368
	<u>1,675,870,683</u>	<u>-</u>	<u>1,675,870,683</u>	<u>1,333,853,492</u>	<u>-</u>	<u>1,333,853,492</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (9) Construction in progress (Continued)

#### (a) Changes of major projects

Project name	Budget	31 December	Increase in	Transfer to	30 June 2020 (Unaudited)	% of project	Progress of the project	Sources of capital
		2019	the current period (Unaudited)	fixed assets (Unaudited)		among budget		
Dongjiakou stevedoring, storage and transportation projects for liquid bulk cargo	6,076,610,000	762,097,395	410,088,427	(3,610,619)	1,168,575,203	19%	19%	Internal capital
Dongjiakou bulk cargo berths and storage yard project	1,482,490,000	483,119,729	47,702,657	(122,274,674)	408,547,712	61%	61%	Internal capital
Other projects		88,636,368	22,306,712	(12,195,312)	98,747,768			Internal capital
		<u>1,333,853,492</u>	<u>480,097,796</u>	<u>(138,080,605)</u>	<u>1,675,870,683</u>			

Project name	Budget	31 December	Increase in	Transfer to	Other	30 June 2019 (Unaudited)	% of project	Progress of the project	Sources of capital
		2018	the current period (Unaudited)	fixed assets (Unaudited)	decrease (Unaudited)		among budget		
Dongjiakou stevedoring, storage and transportation projects for liquid bulk cargo	1,596,610,000	479,440,622	34,730,139	-	-	514,170,761	32%	32%	Internal capital
Dongjiakou bulk cargo berths and storage yard project	1,376,485,484	641,819,662	17,629,078	-	(85,377,700)	574,071,040	42%	42%	Internal capital
Other projects		95,095,116	33,928,358	(46,983,750)	-	82,039,724			Internal capital
		<u>1,216,355,400</u>	<u>86,287,575</u>	<u>(46,983,750)</u>	<u>(85,377,700)</u>	<u>1,170,281,525</u>			

As at 30 June 2020 and 31 December 2019, the management of the Company considered that there is no indication that the Construction in progress may be impaired, therefore no provision for impairment is recorded.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 15 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 2019	2,224,810,857	72,234,217	1,362,580	32,269,286	2,330,676,940
Increase in the current period					
Purchase	-	17,822	-	-	17,822
Internal research and development	-	7,996,554	-	-	7,996,554
30 June 2020 (Unaudited)	2,224,810,857	80,248,593	1,362,580	32,269,286	2,338,691,316
<b>Accumulated amortization</b>					
31 December 2019	(205,459,540)	(31,535,963)	(163,514)	(20,366,682)	(257,525,699)
Increase in the current period (Unaudited)					
Provision	(22,317,522)	(6,337,834)	(13,626)	(1,503,124)	(30,172,106)
30 June 2020 (Unaudited)	(227,777,062)	(37,873,797)	(177,140)	(21,869,806)	(287,697,805)
<b>Net book value</b>					
30 June 2020 (Unaudited)	1,997,033,795	42,374,796	1,185,440	10,399,480	2,050,993,511
31 December 2019	2,019,351,317	40,698,254	1,199,066	11,902,604	2,073,151,241

	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 period (Unaudited)					
Purchase	-	3,751,391	-	-	3,751,391
Internal research and development	-	613,027	-	-	613,027
30 June 2019 (Unaudited)	2,283,777,850	62,806,014	1,362,580	32,269,286	2,380,215,730
<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 period (Unaudited)					
Provision	(23,754,618)	(5,028,257)	(13,626)	(1,503,125)	(30,299,626)
30 June 2019 (Unaudited)	(200,788,209)	(26,246,603)	(149,888)	(18,863,557)	(246,048,257)
<b>Net book value</b>					
30 June 2019 (Unaudited)	2,082,989,641	36,559,411	1,212,692	13,405,729	2,134,167,473
31 December 2018	2,106,744,259	37,223,250	1,226,318	14,908,854	2,160,102,681



# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (10) Intangible assets (Continued)

For the six months ended 30 June 2020, the amortization of intangible assets amounted to RMB30,172,106 (For the six months ended 30 June 2019: RMB30,299,626).

As at 30 June 2020 and 31 December 2019, the Company had no intangible assets which were mortgaged.

As at 30 June 2020 and 31 December 2019, the management of the Company considered that there was no indication of impairment of intangible assets, and therefore no provision for impairment was required.

The Company's development expenses are as follows:

	31 December 2019	Increase in the current period (Unaudited)	Decrease in the current period		30 June 2020 (Unaudited)
			Recorded in profit and loss (Unaudited)	Recognized as intangible assets (Unaudited)	
Information system maintenance and software	-	9,130,041	(1,133,487)	(7,996,554)	-

For the six months ended 30 June 2020, the Company's research and development expenses amounted to RMB9,130,041 (For the six months ended 30 June 2019: RMB7,573,561), of which RMB1,133,487 (For the six months ended 30 June 2019: RMB6,960,534) was recorded in profit and loss for the current period, RMB7,996,554 (For the six months ended 30 June 2019: RMB613,027) was recognized as intangible assets for the current period, and development expenditure has no ending balance. As at 30 June 2020, the intangible assets developed by the Company accounted for 2.12% of the book value of intangible assets (31 December 2019: the intangible assets developed by the Company accounted for 1.77%).

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (11) Provision for asset impairment

	31 December 2019	Increase in the current period (Unaudited)	Decrease in the current period		30 June 2020 (Unaudited)
			Reversal (Unaudited)	Write-off (Unaudited)	
Provision for bad debts of notes receivable	965,350	-	(914,006)	-	51,344
Including: Provision for bad debts on the individual basis	-	-	-	-	-
Provision for bad debts on the grouping basis	965,350	-	(914,006)	-	51,344
Provision for bad debts of accounts receivable	52,250,286	13,718,527	-	-	65,968,813
Including: Provision for bad debts on the individual basis	1,195,671	-	-	-	1,195,671
Provision for bad debts on the grouping basis	51,054,615	13,718,527	-	-	64,773,142
Provision for bad debts of other receivables	4,581,427	1,535,181	-	-	6,116,608
Including: Provision for bad debts on the individual basis	-	-	-	-	-
Provision for bad debts on the grouping basis	4,581,427	1,535,181	-	-	6,116,608
Provision for bad debts of contract assets	4,261,057	-	(607,424)	-	3,653,633
Provision for bad debts of long-term receivables	5,865,889	-	(5,865,889)	-	-
	<u>67,924,009</u>	<u>15,253,708</u>	<u>(7,387,319)</u>	<u>-</u>	<u>75,790,398</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (12) Revenue and cost of sales

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Revenue from main operations	2,419,236,619	2,261,847,477
Revenue from other operations	<u>586,113,402</u>	<u>566,789,336</u>
	<u><b>3,005,350,021</b></u>	<u><b>2,828,636,813</b></u>
	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Cost of sales from main operations	<u>(1,791,736,874)</u>	(1,555,621,822)
Cost of sales from other operations	<u>(363,418,210)</u>	<u>(345,914,093)</u>
	<u><b>(2,155,155,084)</b></u>	<u><b>(1,901,535,915)</b></u>

#### (a) Revenue and cost of sales from main operations

	<b>Six months ended 30 June 2020 (Unaudited)</b>		Six months ended 30 June 2019 (Unaudited)	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
Container handling and ancillary services	91,420,919	(34,878,651)	106,667,918	(28,398,539)
Metal ore, coal and other cargo handling and ancillary services	1,451,195,666	(1,153,884,522)	1,385,159,263	(1,057,812,873)
Liquid bulk cargo handling and ancillary services	64,049,106	(8,400,686)	108,308,471	(9,516,324)
Logistics and port value-added services	343,460,477	(176,844,741)	326,135,605	(172,727,666)
Port ancillary services – construction, labor and construction of port machinery	<u>469,110,451</u>	<u>(417,728,274)</u>	<u>335,576,220</u>	<u>(287,166,420)</u>
	<u><b>2,419,236,619</b></u>	<u><b>(1,791,736,874)</b></u>	<u><b>2,261,847,477</b></u>	<u><b>(1,555,621,822)</b></u>

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (12) Revenue and cost of sales (Continued)

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

	Six months ended 30 June 2020 (Unaudited)		Six months ended 30 June 2019 (Unaudited)	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Rental income	213,261,976	(104,931,617)	216,966,501	(102,023,703)
Sales of fuel, electricity and others	372,851,426	(258,486,593)	349,822,835	(243,890,390)
	<u>586,113,402</u>	<u>(363,418,210)</u>	<u>566,789,336</u>	<u>(345,914,093)</u>

For the six months ended 30 June 2020, among the above revenue categories, 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 30 June 2020, the Company's performance obligations which were contracted but not fulfilled or not completely fulfilled correspond to revenues of RMB372,486,977 (31 December 2019: RMB379,598,729), of which the Company expects RMB310,803,081 will recognize revenue in 2020, and RMB61,683,896 will be recognized in 2021.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (13) Expenses by nature

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

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Employee benefits	575,148,822	607,757,063
Cost for outsourcing transportation	452,191,613	257,908,536
Subcontract cost	234,132,245	205,249,015
Fuel and utility fees	211,238,510	192,041,870
Depreciation of fixed assets	200,934,866	206,693,852
Consumption of raw materials in construction contract	196,684,770	187,684,278
Consumption of other raw materials	141,270,097	134,181,985
Cost of sales for fuel and electricity	95,109,006	102,072,893
Repair expenses	49,992,735	29,359,165
Rental expenses (i)	48,386,735	46,657,290
Amortization of intangible assets	30,172,106	30,299,626
Depreciation of investment property	23,648,346	20,867,948
Amortization of long-term prepaid expenses	4,419,196	2,749,021
Auditor's fee	3,742,444	3,325,472
- Audit service	3,638,670	3,316,038
- Non-audit services	103,774	9,434
Depreciation of right-of-use assets	1,124,079	3,182,016
Others	26,447,909	37,298,682
	2,294,643,479	2,067,328,712

- (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 six months ended 30 June 2020, the amount is RMB48,386,735.

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

(All amounts in RMB Yuan unless otherwise stated)

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (14) Investment income

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Investment income from long-term equity investments under cost method	715,681,621	184,198,566
Investment income from long-term equity investment under equity method	665,478,800	719,546,750
Interest income from holding of debt investments	60,089,780	63,857,615
Investment income/loss from disposal of subsidiaries	46,609,272	(6,820,523)
Investment income from financial asset held for trading	19,500	29,250
Bill discount interest expense	(1,273,168)	-
	<u>1,486,605,805</u>	<u>960,811,658</u>

### (15) Income tax expenses

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Current income tax calculated based on tax law and related regulations	218,717,689	216,166,925
Deferred income tax	3,723,674	12,742,422
	<u>222,441,363</u>	<u>228,909,347</u>

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

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Total profit	<u>2,197,905,240</u>	<u>1,731,277,931</u>
Income tax expenses calculated at applicable tax rates	549,476,310	432,819,483
Investment income not subject to tax	(345,290,105)	(225,936,329)
Additional deduction of employee benefits of the disabled	(618,994)	(547,041)
Costs, expenses and losses not deductible for tax purposes	<u>18,874,152</u>	<u>22,573,234</u>
Income tax expenses	<u>222,441,363</u>	<u>228,909,347</u>

# SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

## 1 STATEMENT OF NON-RECURRING PROFIT OR LOSS

<b>All amounts in RMB Yuan</b>	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Interest income from external entrusted loans of other entities other than Qingdao Finance	1,906,722	6,415,726
Government grants recognized in profit or loss for the current period	32,922,763	80,566,841
Gains and losses from changes in fair value of financial assets held-for-trading other than effective hedging business related to the normal operations of the Company	2,720,249	2,663,358
Net income from disposal of non-current assets	17,371,326	(1,213,416)
Gains on disposal of subsidiaries	43,935,905	522,168
Net amount of other non-operating income and expenses	410,676	5,310,381
Other non-operating income and expenditure net items such as profit or loss that meet the definition of non-recurring profit and loss	<u>10,053,988</u>	<u>5,409,577</u>
Subtotal	109,321,629	99,674,635
Less: Income tax effect	(24,816,910)	(24,918,659)
Less: Non-recurring gains and losses attributable to minority shareholders	<u>(304,182)</u>	<u>(4,345,120)</u>
Non-recurring gains and losses attributable to shareholders of the parent company	<u><u>84,200,537</u></u>	<u><u>70,410,856</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 six months ended 30 June 2020  
(All amounts in RMB Yuan unless otherwise stated)

## 2 RETURN ON EQUITY AND EPS

	Weighted average return on equity		EPS			
			Basic EPS		Diluted EPS	
	For the Six months ended 30 June 2020 (Unaudited)	For the Six months ended 30 June 2019 (Unaudited)	For the Six months ended 30 June 2020 (Unaudited)	For the Six months ended 30 June 2019 (Unaudited)	For the Six months ended 30 June 2020 (Unaudited)	For the Six months ended 30 June 2019 (Unaudited)
Net profit attributable to ordinary shareholders of the company	6.46%	6.86%	0.31	0.31	0.31	0.31
Net profit attributable to ordinary shareholders of the company after deducting non-recurring profit or loss	6.19%	6.63%	0.30	0.30	0.30	0.30